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UNIVERSITY OF TORONTO
DEPARTMENT OF CIVIL ENGINEERING
Municipal and Structural

**METZ FUND HANDBOOKS OF
CITY BUSINESS METHODS**

PREPARED UNDER THE DIRECTION OF

WILLIAM H. ALLEN

HENRY BRUÈRE

FREDERICK A. CLEVELAND

DIRECTORS

HANDBOOK

OF

MUNICIPAL ACCOUNTING

PREPARED BY THE METZ FUND FROM DESCRIPTIVE
AND CRITICAL DATA COLLECTED, AND CON-
STRUCTIVE RECOMMENDATIONS MADE

BY THE
BUREAU OF MUNICIPAL RESEARCH



UNIVERSITY OF TORONTO
DEPARTMENT OF CIVIL ENGINEERING
Municipal and Structural

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MUNICIPAL ACCOUNTING

PREPARED BY THE METE FIELD FROM DISCOUNTS
AND OTHER DATA COLLECTED AND COMPILED
STRUCTURE RECOMMENDATIONS MADE

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PREFACE

In January, 1906, Mr. Herman A. Metz assumed responsibility for the administration of the department of finance of the City of New York, one of the duties of which was to "prescribe the forms of keeping and rendering all city accounts". The first year of the official term of the comptroller was employed in getting in touch with the problem. During the remaining three years of his administration Mr. Metz not only utilized the resources of his office for doing constructive work, but also invited and obtained the active coöperation of the Bureau of Municipal Research. Among the concrete results of this coöperation was the preparation of a "Manual of Accounting and Business Procedure for the City of New York"—a volume of some 600 quarto pages. This was promulgated by the comptroller as an executive order under authority of law. The administrative purpose of this manual as set forth in the introduction was:

- 1 To describe definitely the forms of documents to be used and the procedure to be followed by employees of the city, to the end that responsibility may be located for each step

PREFACE

taken in each transaction resulting in the receipt and payment of money, the acquisition and sale of property, and the incurring and liquidating of liabilities

- 2 To establish and place in the hands of employees a manual containing definite rules, departures from which, in the administration of the city's affairs, may be treated as breaches of duty
- 3 To require those making any change in corporate practice to state such change in writing, and to assume official responsibility therefor
- 4 To make available to each one who has business dealings with the city the means of knowing the technical requirements and of understanding his rights
- 5 To establish a procedure which will make available to the public a definite test of economy, efficiency and fidelity of service.

After four years of public service Mr. Metz retired in order that he might give needed attention to his private affairs. He continued his interest in public business methods, however, and, as a means of making everywhere available the experience of New York and other municipalities, gave to the Bureau of Municipal Research a fund, \$10,000 of

PREFACE

which was to be made available each year for a period of three years.

Many inquiries came to the Bureau about the New York installation. It was therefore thought desirable to summarize the principles underlying the practice and procedure set forth in detail in the New York Manual and to state these, so far as practicable, in non-technical language. This summarization has appeared from time to time in the publications of the Metz Fund under the title of "Short Talks on Municipal Accounting and Reporting". These "Talks" were prepared by Mr. Ulysses L. Leonhauser, C. P. A., secretary of the Fund from April, 1911, to August, 1912, who for more than two years had been the head of the New York comptroller's expert staff. These "Talks" were sent to the mayors and accounting officers of about 325 American cities, to commercial organizations, and to public-spirited men the country over. Many grateful acknowledgments of their suggestions have been received by the Bureau.

To make the data and experience thus collected permanently available the text and forms have been adapted to suit this new form of presentation and are now published as a handbook of municipal accounting. This book does not treat in detail the

PREFACE

full range of accounting subjects, but touches upon most of them, and indicates a method for their treatment.

City officials, however, need no longer feel entirely dependent on handbooks for suggestions and guidance pertaining to accounting and reporting practice. The work which is now being done in the accounting and statistical offices of New York, Philadelphia, and a number of other cities, large and small, will increasingly serve to illustrate in a practical way to every inquiring municipal official how a city's business may be intelligently considered. With these practical demonstrations to guide them there is no reason why every city in the nation may not develop the means for prompt, accurate, and complete reporting of facts and for establishing exact standards of administrative efficiency.

The Metz Fund, Bureau of Municipal Research, 261 Broadway, New York, welcomes inquiries and suggestions regarding any of the subjects discussed in this volume.

WILLIAM H. ALLEN,

HENRY BRUÈRE,

FREDERICK A. CLEVELAND,

Directors

BUREAU OF MUNICIPAL RESEARCH.

INTRODUCTION

The function of accounting is to produce complete, accurate, and prompt information about business transactions and results. To do this, some method must be employed which will insure completeness, accuracy, and promptness. One of the ends also to be reached is to locate responsibility for waste, inefficiency, and infidelity; another is to make and preserve the evidence of efficiency and proper regard for the duties and responsibilities of office. To do this requires that each act be recorded in such manner that the evidence may be preserved; that the many facts be analyzed and summarized so that their significance may be readily understood; that the results be promptly reported; that the forms of report be such that each subject of immediate concern may be brought to the attention of the officer or the public; and that further means be provided for knowing whether the information thus made available is acted upon. That is, the record should provide the evidence needed to enforce responsibility, and the report should provide the in-

INTRODUCTION

formation required for institutional direction and control. In addition the public should have the means for knowing whether the information provided is effectively used.

In private affairs accounting records are used not only for the purpose of providing the data for thinking about the business in hand, but also for future guidance, that is, for the development of plans and the determination of policies. Municipal accounting should serve both of these ends. The differences between private and public accounting are not differences in purpose or differences in method; they are differences in the subjects concerning which information is needed.

The city in this country rarely engages in business for profit to the corporation; in so far as its purpose has to do with economic benefits these are for the public as a whole. The government as a corporation exists to render service at cost. In most instances, therefore, it is neither necessary nor proper that the city should keep a "profit and loss" account for the information of the officer or the public. On the other hand, due to the closer scrutiny which is usually given by a majority of shareholders to the affairs of private corporations and the relatively small concern of the public in their

INTRODUCTION

management and control, officers of private corporations have imposed on them relatively few legal limitations with respect to the use of funds. Expenditures are not governed by formal acts of appropriation; except in these few cases, therefore, it is not necessary that the private corporation shall keep "appropriation" accounts.

The fact that the public corporation does not need a "profit and loss" account, or that the private corporation does not need "appropriation" accounts, however, goes only to the subjects concerning which information is needed; it has nothing to do with the general purpose or the methods of keeping accounts. In each case the purpose of accounting and reporting is to provide the information which is needed to carry on the business; in each case the method must be one which will protect the officer and the beneficiary against incompleteness, inaccuracy of reports, and delay in making facts available. For both private and public institutions the principles which govern the technique of accounting are the same.

As has been said, the differences are found in the subjects concerning which information is required, that is, in the stories to be told about the many details of business, in order that their real significance may be quickly grasped and acted on. But differ-

INTRODUCTION

ences may also be found in the accounts kept or the stories told about each different institution, whether public or private. Whether public or private, the classification of the accounts and reports must necessarily correspond with the subjects concerning which those charged with responsibility are required to think and act—the subjects of account or the stories to be regularly told to the officer and to the public must be determined by the character of the enterprise.

So much confusion has been caused by statements made to the effect that public and private accounts “are entirely different”, that it is thought well at the very outset to make plain just what these differences are and in what respect they affect methods. For a point of departure, it may be said that there is scarcely a function or activity of a municipality that may not and has not been performed by a private corporation. For example, in one city the entire school system may be private; in another the water system may be private. In a third city the garbage may be removed by a private corporation or person. So, too, street sprinkling, street sweeping, hospitals, clinics,—practically every undertaking of a municipality may be operated privately. Even the levying and collection of taxes and the payment of

INTRODUCTION

obligations of a municipality may be performed by private companies; in fact, at one time this was the common method. Apply a parallel to any one of these many enterprises; set up the subjects of interest in parallel columns; the result would be as follows:

<i>The Public Corporation</i>	<i>The Private Corporation</i>
1 Powers—determined by the State in charter or general law	1 Powers—determined by the State in charter or general law
2 Beneficiaries—called <i>citizens</i> *	2 Beneficiaries—called <i>shareholders</i> *
3 Board—elected by beneficiaries	3 Board—elected by beneficiaries
4 Officers—elected by beneficiaries or board	4 Officers—elected by beneficiaries or board
5 Electors—voting trust or <i>electorate</i> *	5 Electors—voting trust or <i>shareholders</i> *
6 Capital—raised by borrowing or by <i>involuntary</i> contribution (taxation)	6 Capital—raised by borrowing or by <i>voluntary</i> contribution (subscription)
7 Current revenues—by direct charge for specific services to individuals or <i>indirect charge by</i>	7 Current revenues—by <i>direct charge</i> for specific services to individuals sufficient to <i>pay cost</i>

* The differences between the elements to be considered by managers of *public* as distinct from *private* business are indicated in italics. None of these differences affect the technique of accounting; they only have to do with the subjects concerning which information is to be produced through the accounts.

INTRODUCTION

The Public Corporation

lery to pay cost of service to community

- 8 Problem of board management—to determine policy, rates to be charged for service, and distribution of benefits (to citizens)
- 9 Problem of executive management—to execute policies, direct the work, to use the organization, equipment, and funds with greatest economy and efficiency, and to protect the properties, stores, and treasury from loss or impairment
- 10 Limitations placed on executive management—*appropriations* and strict accountability
- 11 Distribution of benefits to citizens—in the form of *services at cost*

The Private Corporation

and a profit to the corporation

- 8 Problem of board management—to determine policy, rates to be charged for service, and distribution of benefits (to shareholders)
- 9 Problem of executive management—to execute policies, direct the work, to use the organization, equipment, and funds with greatest economy and efficiency, and to protect the properties, stores, and treasury from loss or impairment
- 10 Limitations placed on executive management—strict accountability
- 11 Distribution of benefits to shareholders—in the form of *dividends*, i. e., the apportionment of the net profits or margin above cost included in prices charged for service

From the foregoing it will be seen that the chief differences lie in:

INTRODUCTION

- 1 the status of the beneficiaries—**proprietorship**
- 2 the method of raising revenue—**price-making**
- 3 the apportionment of benefits—**distribution**
- 4 the limitations placed on executive management of expenditures—**appropriation.**

The first of these differences determines the personnel for whose information accounts are to be kept, and to whom reports showing results are to be made. The second of the differences above indicated determines the manner of establishing revenue accruals; it does not require, however, that there be any difference in method employed for determining the completeness or accuracy of revenue accounts or of collections returned, or in the need for promptness and accuracy of reports. The third and fourth of the differences indicated would require only that the **public corporation** keep accounts which would show:

- 1 appropriations—or authorization to officers
- 2 assets and liabilities
- 3 revenues and expenditures
- 4 *rarely* profits and losses
- 5 surplus or deficit.

On the other hand, the **private corporation** would keep accounts which would show:

INTRODUCTION

- 1 *rarely* appropriations—or authorizations to officers
- 2 assets and liabilities
- 3 revenues and expenditures
- 4 profits and losses
- 5 surplus and deficit.

From the foregoing it appears that there are no differences in the general subjects concerning which information is desired; the differences are entirely matters of detail within each of the general classes listed. To make this more clear, let us apply the analogy to two sewage disposal plants, one public, the other private, each doing exactly the same business, having exactly similar contractual relations, having the same amount of expenditures. Let us assume that each plant cost a million dollars, one providing its capital by bond issue, the other, one-half by bond issue and one-half by subscription. Let us assume further that the public corporation provided free service to each individual but equated the cost to the community in the form of a tax; that the private corporation charged each individual served at a rate which would pay cost plus a margin of profit. Such a parallel having been established between the two plants, the

INTRODUCTION

executive officers of the public corporation would be under limitations of appropriations, while the executive officers of the private corporation would not be under such limitations. The result would be that each would keep the same cash, stores, and other asset accounts, the same expenditure accounts, the same cost accounts, practically the same liability accounts; each would keep revenue accounts, one of the "tax receivable" and the other of "sewage rates receivable". The accountant for the public corporation would keep appropriation accounts; the accountant for the private corporation would not. The accountant for the private corporation would close his operating surplus or deficit through a "profit and loss account". The accountant for the public corporation would close his operating surplus or deficit direct to the "surplus and deficit" account.

In any municipal corporation the bulk of transactions may be exactly similar to the transactions of a private corporation. In each case these transactions must be recorded. In each case the record should be such as to tell the several stories in which officers are interested—i. e., should classify all of the transactions with reference to subjects to be considered. The method of recording the facts, of verifying the stories told, of administering on the

INTRODUCTION

completeness, accuracy, and promptness of accounts and reports, would be the same. The citizen and the officer of the public corporation are entitled to the same completeness, the same accuracy, the same lucidness of statement about public affairs as are the shareholder and officer of the private enterprise. In each case the persons to whom the facts are to be made known are those who hold a beneficial interest or a position of trust and responsibility.

The historic reason for the statement that the accounting of a city is "entirely different" from that of a private corporation is this: that heretofore few cities have maintained any accounts other than those of appropriations—accounts which are required in order to keep the officer out of jail. Practically no accounts have been kept pertaining to subjects in which the officer as administrator and the citizen as beneficiary are interested. Few cities have kept accounts of property, stores, equipment. Few cities have a complete account of their liabilities. Few cities keep operation or cost accounts. Few cities attempt to keep operating data which will enable the citizen or the officer to know what results are being obtained or to obtain information by means of which the efficiency or economy of management may be measured. For this reason many persons who have

INTRODUCTION

grown up in the municipal service have thought that the occupation of the municipal bookkeeper has nothing in common with what has been too often called "commercial bookkeeping". The fact is that everything of interest to the community has been left out of the picture and upon the dull gray background of institutional inhibition they have been painting pictures for the information of the few members who are interested in the technical and legal requirements of appropriations.

For the purpose of giving perspective to the discussion which follows, it may be said that there are ten general subjects concerning which complete, accurate, and prompt information is needed as a basis for thinking about the business of the city, or, to put it in other terms, about the business of the citizen:

- 1 Expenditures and the revenues or other means provided for meeting them
- 2 What the city owns and what the city owes
- 3 What fund authorizations have been made by the legislature or by the board and what are the limitations placed on the officer with reference to expenditures
- 4 Permanent properties and bonded debt incurred in providing them

INTRODUCTION

- 5 Sinking funds for retirement of bonded debt
- 6 Trust funds
- 7 Functional expenses and unit costs
- 8 Control over the accrual and collection of revenues
- 9 Control over the city's purchasing and contracting relations
- 10 Control over the fidelity of custodians.

In order to provide each of these classes of information accounts should be kept. In the discussion which follows these are dealt with under titles which carry the common terminology of accounting.

CONTENTS

	PAGE
PREFACE	v
INTRODUCTION	ix
LIST OF EXHIBITS	xxvii
CHAPTER	
I. REVENUES AND EXPENSES	1
Facts to Be Recorded about Operations	2
Prevailing Misconception as to What Information Is Essential	4
The Right and Wrong Kinds of State- ment Illustrated , . .	8
II. GENERAL ACCOUNT BALANCE SHEET . .	11
Do Cities Need a Balance Sheet? . .	11
Component Elements of a Fund Bal- ance Sheet	14
Glossary	22
III. APPROPRIATION AND FUND ACCOUNTS . .	26
Value of Fund Balance Sheet to the Administrator	27
How Fund Accounts Are Developed .	28
Contingent Liabilities Should Be a Matter of Record	31
Journal Entries	34
Provision for Uncollectible Taxes . .	37
A Financial Steering Chart	38
Fund Balance Sheet and Borrowings for Outlays	41
The New Rochelle Balance Sheet . .	41

CONTENTS

CHAPTER	PAGE
IV. THE CAPITAL ACCOUNT BALANCE SHEET	43
Results to Be Recorded	44
Facts Which Should Be Set Forth in a Capital Account Balance Sheet . .	46
Value of Contrasting Permanent Prop- erties with Bonded Debt	47
Administrative Value of a Capital Ac- count Balance Sheet	50
What Is Capital Surplus as Distin- guished from Current Surplus? . .	54
Valuation of Permanent Properties .	55
Steps Necessary to Establish Property Accounts	57
Treatment of Assessment Accounts .	58
Effect of Recasting New Rochelle's Statements	60
V. SINKING FUNDS AND TRUST FUNDS . .	61
How a Sinking Fund Is Established .	63
What a Sinking Fund Balance Sheet Should Show	65
Financial Officer Should Keep Sinking Fund Accounts	66
How the Accounts Are Developed . .	67
Journal Entries	70
Trust Fund Balance Sheet	72
VI. FUNCTIONAL EXPENSE AND COST AC- COUNTS	74
Utility of Properly Classified Expense Accounts	76

CONTENTS

CHAPTER	PAGE
VI. FUNCTIONAL EXPENSE AND COST ACCOUNTS.— <i>Continued.</i>	
Some Prevalent Methods of Classification	77
What Constitutes a Proper Classification?	78
Job Costs	80
Importance of Correct Allocation . .	81
Distribution of Supplies	83
Necessity for Proving Accounts . .	83
Physical Records and Unit Costs . .	85
Segregated Expense Accounts Illustrated	87
VII. COLLECTING AND CONTROLLING REVENUES	92
Controlling the Forms of Stationery .	94
Reports to Financial Officer	96
Reports of Treasurer	97
How the Receipts Are Audited . . .	98
Control of Collection of Taxes . . .	98
The Audit of Tax Collections . . .	100
General Ledger Control	101
Monthly Reports from Collecting Agents	102
VIII. CONTROLLING AND RECORDING EXPENDITURES	105
Steps Necessary for Locating Responsibility	105
The Starting Point in Incurring Expenditures	107

CONTENTS

CHAPTER	PAGE
VIII. CONTROLLING AND RECORDING EXPENDITURES.—<i>Continued.</i>	
The Issuance of Orders and Contracts	108
Invoices and Certification of Vouchers	110
Accounting Control Must Begin with Orders and Contracts	113
Accounts Must Be Provable	116
General Ledger Controlling Accounts .	118
Monthly Reports	120
Other Records Essential	121
Centralized Accounting System Desir- able	122
 IX. MUNICIPAL STOREKEEPING AND CONTROL OVER THE CUSTODIANSHIP OF MOV- ABLE PROPERTY	
Procedure for Securing Control . . .	124
A Perpetual Inventory	127
Report of Stores Dispensed to Be Made Monthly	129
Equalizing Fluctuations in Prices . .	131
Chief Advantages of Stores Accounting	133
Economy of Central Purchasing and Stores Departments	134
Steps in Establishing a Stores System	135
Treatment of Stores in a Balance Sheet	137
Control of Tools and Other Small Equipment	138
 X. PAYROLL MAKING, TIME AND SERVICE REPORTS	
	141

CONTENTS

CHAPTER	PAGE
X. PAYROLL MAKING, TIME AND SERVICE REPORTS.—Continued.	
Evidence the First Requisite	141
Value of Personal Certification . . .	143
Record of Individual Service Necessary	144
The Several Kinds of Reports . . .	146
Time Records	148
How New York City Is Solving the Problem of Controlling Payrolls . .	148
Improper Practices Made Difficult . .	150
What the Payrolls Are Required to Show	151
Certification of Payrolls	151
Payroll Forms Described	154
XI. HOW A PUBLIC OFFICER MAY USE RE- PORTS	157
The Essentials of a Good Report . .	159
Graphic Charts	167
Typography an Important Feature . .	169
Principles Further Illustrated . . .	169
Reporting Methods of the American Telephone and Telegraph Company .	169
Reports of the Reclamation Service of the United States	172
Some Reports Required by a Municipal Financial Officer	176
The Uses of Reports	182
XII. STEPS IN REORGANIZING ACCOUNTING AND BUSINESS METHODS	188

CONTENTS

CHAPTER	PAGE
XII. STEPS IN REORGANIZING ACCOUNTING AND BUSINESS METHODS.—<i>Continued.</i>	
Coöperation among City Officials Desirable	189
Crystallizing Public Sentiment	190
Value of Local Advisory Committees	192
Survey of Existing Conditions and Study of Requirements	192
Methods of Reorganization and Installation	194
Partial Reorganization Not Effective	196
Manual of Business and Accounting Procedure	197
Periodical Examinations	198
Continuous Supervision Necessary	201
Experiences of Other Cities	202
XIII. THE COST OF OBTAINING COMPLETE AND ACCURATE INFORMATION	206
Experience of Montclair, N. J.	207
INDEX	223

LIST OF EXHIBITS

<i>Exhibit</i>	<i>Between Pages</i>
1.—Statement of Receipts and Expenditures (New Rochelle, N. Y.) . . .	8-9
2.—Statement of Revenue and Expenses (New Rochelle, N. Y.) as recast . . .	8-9
3.—Consolidated Account (Philadelphia, Pa.)	16-17
4.—Current Balance Sheet (New Rochelle, N. Y.)	18-19
5.—Balance Sheet, General Account (New Rochelle, N. Y.), as recast	18-19
6.—Surplus or Deficit Account (for New Rochelle, N. Y.)	18-19
7.—Fund Balance Sheet, General Account (for New Rochelle, N. Y.)	38-39
8.—Fund Balance Sheet, Capital Account —Loan Funds (for New Rochelle, N. Y.)	38-39
9.—Balance Sheet, Capital Account (for New Rochelle, N. Y.)	44-45
10.—Statement Reconciling Deficit Shown by New Rochelle's Statement with Deficit Shown by Recast Statements	44-45

LIST OF EXHIBITS

<i>Exhibit</i>	<i>Between Pages</i>
11.—Form of Inventory of Property Accounts (Philadelphia, Pa.) . . .	50-51
12.—Sinking Fund Balance Sheet . . .	72-73
13.—Trust Fund Balance Sheet . . .	72-73
14.—Summary Consolidated Balance Sheet (Showing Assets, Liabilities, Estimated Revenues, Appropriations and Reserves, New Rochelle, N. Y.)	72-73
15.—Form of Daily Report to Comptroller of Money Collected	96-97
16.—Form of Daily Report to Treasurer of Money Collected	98-99
17.—Form of Tax Bill (City of New York)	100-101
18.—Form of Requisition on Purchasing Agent (Cincinnati, O.)	108-109
19.—Form of Purchase Order (Cincinnati, O.)	110-111
20.—Form of Appropriation or Fund Ledger	114-115
21.—Form of Stores Ledger (Department of Water Supply, Gas & Electricity, City of New York)	126-127
22.—Form of Weekly Time Report (Department of Water Supply, Gas & Electricity, City of New York) .	146-147

LIST OF EXHIBITS

Exhibit

*Between
Pages*

- 23.—Form of Time and Service Record
(Department of Water Supply,
Gas & Electricity, City of New
York) 148-149
- 24.—Form of Payroll Voucher (Depart-
ment of Water Supply, Gas & Elec-
tricity, City of New York) . . . 154-155
- Monthly Reports, United States Rec-
lamation Service:
- 25.—Total and Unit Cost, Driving
Tunnel Heading 1 (Strawberry
Valley Project) Pages 173-174
- 26.—Comparative Average of Unit
Cost of Operating Mess Houses
(All Projects) 174-175
- 27.—Comparative Average of Unit
Cost of Operating Corrals (All
Projects) 174-175
- 28.—Total and Unit Cost, Opera-
tion of Automobile (Boise Proj-
ect) Pages 177-178
- 29.—Asset and Liability Balance Sheets
and Current Operation Account
(Montclair, N. J.) 210-211
- General or Current Account Bal-
ance Sheet, supported by Sched-
ules "A" to "E" Pages 211-215

LIST OF EXHIBITS

Exhibit

*Between
Pages*

Capital Account Balance Sheet, supported by Schedules "F" to "H"	Pages 215-217
Trust Fund Balance Sheet, sup- ported by Schedule "I" . . .	218-219
Current Operation Account, sup- ported by Schedules "J" to "P"	218-219
30.—Fund Balance Sheets (Montclair, N. J.)	220-221
Appropriations, supported by Schedules "Q" and "R" . . .	220-221
Bond Funds, supported by Sched- ule "S"	222-223
31.—Chart of General Ledger Entries— General Account	222-223

HANDBOOK OF MUNICIPAL ACCOUNTING

CHAPTER I

REVENUES AND EXPENSES

To illustrate the application of common-sense accounting principles to the affairs of a municipality, let us first consider the business that is fundamental and common to all cities. We shall then be in a position to determine what transactions are to be recorded and analyzed.

Primarily, the business of a municipal corporation is to perform certain kinds of service for the benefit of the community as a whole. The cost of this service is borne by the community; the corporation only raises money and spends it for community needs.

By reason of this fact, it is the custom of cities once a year to prepare a report and arrange a financial program to cover the ensuing year. A statement is made of expenditures, revenues and

REVENUES AND EXPENSES

borrowings; an estimate is made of the probable expenses, and, with this as a basis, provision is made for raising the necessary revenue to meet these expenses. To do this with intelligence requires that the facts must be recorded about what the government spends, and what it does, what the government owns and what it owes, what authorizations are given to spend and to incur liabilities, and what are the unexpended and unencumbered balances of authorizations. Without such a record as will enable the officer and the public to keep both conditions and results before them, municipal business must be carried on at a very high cost and with increasing dissatisfaction to the community.

FACTS TO BE RECORDED ABOUT OPERATIONS

At the end of a fiscal period what information must be regarded as of primary importance, both to city officials and citizens? It is plain that one of the first questions to be answered must relate to next year's forecast. Furthermore, accuracy of forecast must depend on knowledge of last year's operations. Questions pertaining to last year's operations must be answered by a statement of revenues and expenses, showing:

FACTS TO BE RECORDED

1 The revenue that has accrued to the city by virtue of its right to levy taxes and to charge for privileges and services.

2 The operation and maintenance cost of the city.

3 The excess of revenue over cost or the excess of cost over revenue.

Other information would, of course, be desired, but these essentials come first in order of importance.

The amount to be recorded under the first head would not be determined by the cash collected, for this would invariably include revenue which had accrued or fallen due in previous periods, as, for example, cash from taxes levied in a previous year, and would leave out revenues due for which cash had not yet been received. Consequently, we are forced to conclude that **revenue accrued** is something entirely different from **cash received**, and that if we are going to record the facts which will tell us how our financial program has worked we must enter under the head of revenue the full amount due the city regardless of whether it has been received in cash or not, proper allowance being made for the amount which from experience might be regarded as uncollectible.

On the other hand, the amounts to be recorded

REVENUES AND EXPENSES

under the second head would not be determined by the cash paid out, for this would in many cases include payments of cost incurred in, and for the benefit of, prior periods; it would also omit expenses properly chargeable to the period which perchance had not yet been paid. Consequently, if we are to get a clear picture of **costs incurred** we must have something different from a record of **cash payments**. If a city is to record the facts which will show how the financial program entered upon at the beginning of the period has worked, it must enter under the head of expenses all of the liabilities incurred during the year, regardless of whether they have been paid in cash or whether it still owes for them.

With these facts available the city may also have before it the data to show what liabilities are outstanding that must be met and the cash and other assets, such as accounts receivable, to meet them.

PREVAILING MISCONCEPTION AS TO WHAT INFORMATION IS ESSENTIAL

Not more than a half dozen cities in the country have recognized the difference between a statement of cash inflow and outflow and a statement of reve-

WHAT INFORMATION IS ESSENTIAL

nues and expenses. Simply because each person in a municipality has only a small financial interest in the public business is no reason why all principles of business economy and common sense should be cast to the winds. If several persons were engaged in a business as partners and at the end of the year one of them wished to withdraw from the partnership, could they possibly make a correct settlement based solely upon the cash that had been received and paid out during the year? They certainly could not if any part of the assets of the partnership were represented by accounts receivable outstanding, that is, income accrued but not collected, or if there were debts representing expenses accrued but not paid.

If private corporations were to base the distribution of dividends among stockholders upon the income received in cash and expenses paid in cash they would soon find themselves hopelessly in the dark as to their true financial condition, with the inevitable result that disaster would sooner or later overtake them.

A municipality's financial statements, to be truthful reflections of what has taken place in its finances, should be based upon accretions to and depletions of wealth. A statement of revenues and expenses should explain the changes in assets and liabilities which

REVENUES AND EXPENSES

have taken place in a period. This means that all financial transactions whether based on cash or credit must be taken into account. To put the matter another way, there is a distinct relation between a statement of financial condition or a balance sheet, and a statement of operations, or revenue and expense statement, the latter being in the nature of an explanation or statement of details of the balancing figures in the former.

Municipal financial officers sometimes argue that a statement of cash receipts and payments answers every requirement of cities because the overlapping items at the beginning and end of the year will year in and year out offset each other. This is to say that citizens and officers do not need exact information; that in public business we may trust to luck that everything will come out all right. The fallacy of this argument will be seen when we consider the ultimate purpose of a statement of expenses. Comparison of costs, which is the great factor in determining and developing efficiency of administration, can be made only when costs are reduced to a unit basis; that is, when the total cost for a period is divided by the number of units of work performed or other results. Reports of work or results are naturally made for specific periods in which the work was

EXPENSES VS. DISBURSEMENTS

performed or results attained, as, for example, for a day, a week, a month, or a quarter. Obviously, to ascertain unit costs, all the expenses applicable to the period and not merely those paid in cash should be divided by the total number of units of results. While materials and supplies purchased during the early part of the year may be paid for promptly, payment may be deferred on purchases made during the latter part of the year. Under a system of recording expenses only as cash is paid out, there never can be a proper allocation of charges according to the periods affected or cost of results achieved and therefore no basis for computing unit costs.

Some cities make a more or less successful effort to pay all outstanding bills promptly at the end of the year and thereby include them in the expenses of the year. While such a method is an improvement over that which allows the outstanding bills to be charged as expenses of the following year, it is still inadequate in that it does not allocate expenses by months so that monthly unit costs can be computed; it does not show cost of results obtained. The annual report is of little use as a basis for current administration. What the executive needs is up-to-date facts; he cannot depend on ancient history for to-day's and to-morrow's decisions. Be-

REVENUES AND EXPENSES

sides, if only revenues which are received in cash are taken into account, there is no basis for setting up controlling accounts with taxes and other revenues, so that collections may be audited and the uncollected amounts watched and accounted for from time to time.

THE RIGHT AND WRONG KINDS OF STATEMENT ILLUSTRATED

To illustrate the widespread misconception of the kind of information that a municipality should publish we present herewith by permission a copy of a statement of receipts and expenditures published by New Rochelle, N. Y. (Exhibit 1).

The very title of the statement is calculated to confuse; "receipts" which means cash received (and the word is here used in that sense) are opposed by "expenditures" which means outgo both for expenses and property including that portion which is not paid for in cash.

Under receipts is included cash from taxes levied in prior periods. This, as has been pointed out, makes it impossible to tell how the financial program established at the beginning of the year has actually worked. Again, under receipts is included cash

(As Issued)

CITY OF NEW ROCHELLE, N. Y.

Receipts and Expenditures

Receipts	1910	Expenditures	1910
TAXES			
Collections of Taxes of current year—principal	\$656,578.03	EXPENSES OF OPERATION	
Collections of Taxes of current year—interest	4,508.09	Administrative Offices	\$69,704.41
Collections of Taxes of preceding year—principal	125,365.23	Operating Departments	528,013.33
Collections of Taxes of preceding year—interest	8,790.63	EXPENSES OF OPERATION	
Collections of Taxes of succeeding year—principal	1,988.23		\$508,647.74
Collections of Taxes of succeeding year—interest	17,258.33	STATE AND COUNTY TAXES	
Collections of Purchased Taxes—principal	6,166.98		166,763.57
Collections of Purchased Taxes—interest	1,331.76	INTEREST	
Collections of Purchased Taxes—costs of sale			122,362.50
COLLECTION OF TAXES	\$821,287.88	OUTLAYS FOR IMPROVEMENTS	
MISCELLANEOUS REVENUE		Grading Streets	\$17,738.49
Sinking Fund Revenue	\$65,133.71	Macadamizing Streets	26,346.71
Department Revenue	46,425.77	Surface Water Drains	2,498.81
MISCELLANEOUS REVENUE	111,559.48	Parks	6,297.73
SPECIAL ASSESSMENTS		Cars, Horses and Equipment	14,926.52
Collections of Sidewalk Assessments—principal	\$14,277.68	Clouds	114,968.61
Collections of Sidewalk Assessments—interest and costs	1,772.61	GENERAL IMPROVEMENTS	
Collections of Sewer Assessments—principal	15,636.49	Rebuildings, curbs and gutters	\$23,330.00
Collections of Sewer Assessments—interest and costs	3,116.36	Stairs	73,878.00
Collections of Street Paving Assessments—principal	1,073.14	Street Paving	39,576.06
Collections of Street Pav. Assmts.—interest and costs	381.97	LOCAL IMPROVEMENTS	
COLLECTIONS OF SPECIAL ASSESSMENTS	36,258.25		160,776.46
Revenue of the City	\$969,105.61	Cost of the City	
LOANS			\$1,172,416.94
Sales of Tax Certificates	\$190,000.00	REPAYMENT OF LOANS	
Sales of Bonds and Construction Certificates for General Improvements	221,660.44	Redemption of Tax Certificates	\$155,000.00
Sales of Bonds for 1907 debts	14,365.15	Redemption of Bonds	85,000.00
Sales of Sidewalk Certificates for Sidewalks	50,000.00	Payment of 1907 Accounts	50,169.66
Sales of Bonds and Sewer Certificates for Sewers	141,000.05	Redemptions of Sidewalk Certificates	10,033.00
Sales of Bonds and St. Pav. Cfs. for Street Paving	10,000.00	Redemptions of Sewer Certificates	14,000.00
Loans	657,724.49	Redemptions of Street Paving Certificates	1,000.00
TRUST FUNDS		Repayment of Loans	
Receipts of Trust Funds	1,832.04		315,194.26
RECEIPTS		TRUST FUNDS	
	\$1,028,062.14	Repayment of Trust Funds	1,820.04
Fund Balances at January 1st	326,993.27	EXPENDITURES	
TOTAL	\$1,955,505.41	Fund Balances at December 31st	\$1,480,431.24
		TOTAL	\$1,955,505.41

(Recast Statement)

CITY OF NEW ROCHELLE, N. Y.

Revenue and Expenses for Year Ended December 31, 1910

Includes all revenues whether cash has been received or not, and all expenses whether actually paid or not.
Leaves out items which are not revenue and other items which are not expenses.

Expenses		Revenue	
Administrative offices.....	\$69,704.41	Taxes (total levy for 1910).....	\$887,065.37*
Operating departments.....	528,943.33	Less State and County Taxes.....	106,763.37
	\$598,647.74		730,302.00
Good interest.....	132,362.50	Less abatements.....	\$705,642.53
Installments provided by tax levy for retirement of bonded debt.....	85,000.00	Interest on taxes of 1910.....	4,308.69
		Interest on deposits.....	11,171.93
		Revenue from county.....	36,015.45
		Licenses.....	\$25.50
		Department revenue:	
		Department of education.....	\$824,554.19
		Department of docks and harbors.....	12,025.31
		Department of health.....	2,977.80
		Police department.....	2,577.67
		Fire department.....	1,515.80
		Street cleaning department.....	1,384.63
			44,855.59
		Miscellaneous revenue.....	2,877.90
		Total revenue.....	\$805,780.59
		Excess of expenses over revenue (carried to Surplus Account).....	\$229.65
	<u>\$806,010.24</u>		<u>\$806,010.24</u>

*No allowance made for uncollectible taxes included in this levy.

RIGHT AND WRONG KINDS OF STATEMENT

from assessments. From their very nature these are not revenues, since collecting assessments simply means recovering amounts previously spent. In other words, the city has advanced money for local improvements for which it will reimburse itself by collecting from the owners of property benefited. Other cash receipts as from sales of tax certificates and bonds, and from trust funds, none of which is revenue, are included in the statement, obscuring the results which should be brought to view. Similarly, under expenditures and included in "cost of the city" are moneys advanced by the city for assessable improvements. These amounts are obviously no part of the "cost" of conducting the city's business.

Neither is the New Rochelle statement a correct statement of cash receipts and payments (or disbursements) because the cash balance shown at the end of the year does not agree with the cash balance shown in the balance sheet as at the end of the year (Exhibits 1 and 4), the latter being \$497,168.55, or \$31,384.38 more than called for by the statement of receipts and expenditures. This is due to the fact that unpaid bills amounting to \$31,384.38 are included among the expenditures, whereas they appear as unpaid audited vouchers in the balance sheet.

To illustrate how a statement showing revenues

REVENUES AND EXPENSES

and expenses should look, we have recast this statement into the form shown in Exhibit 2.

A statement showing the inflow and outflow of cash through the city treasury is, of course, desirable since only by presenting such a statement can the treasurer render a proper account of his trust. Such a statement, however, must not be confused with one of revenue and expenses. Each statement has a separate function to perform. The former is an accounting of the treasurer, while the latter is an accounting by the chief financial officer, which must embrace all financial transactions of the city, cash and otherwise.

CHAPTER II

GENERAL ACCOUNT BALANCE SHEET

In the previous chapter it was stated that information of primary interest to citizens and officials respecting current operations is how much revenue the city raises, how much it spends for running the city, what is the excess of revenue over cost, or vice versa, and what is the city getting in service returns for the non-asset-producing expenditures. In this chapter we shall endeavor to show how the results of transactions may be focused in a statement of assets and liabilities—in other words, a balance sheet.

DO CITIES NEED A BALANCE SHEET?

Both raising revenue and selling bonds result in the acquisition of assets—cash and accounts receivable. Making expenditures results either in reduction of cash or in incurring liabilities which when paid reduce cash. Expenditures, however, may be represented by the cost of doing something for the

GENERAL ACCOUNT BALANCE SHEET

public (such as street cleaning, health inspection, etc.) or they may be represented in properties acquired. The net increase in assets for a period therefore would be the total revenues and returns from bond sales, less the non-asset-producing expenditures. The subject now before us is the **balance sheet** as an instrument by means of which the total assets may be weighed against the total liabilities, the difference to be accounted for as surplus or deficit and explained in the operation account. The question to be answered by the balance sheet is: How does the city stand with respect to its assets and liabilities at any time when its finances must be considered?

There is sometimes misapprehension regarding what a balance sheet is, many persons confusing it with a "trial balance". It is proper to apply the term balance sheet only to a statement of the assets and liabilities of a business when they are contrasted in such a manner as to show the excess of one over the other. A "trial balance" is simply a means of drawing off the balances of a ledger to ascertain whether the debits equal the credits. Using the double entry system, a balance sheet would be produced by closing all accounts showing expenses or revenues into one account, usually called a surplus

DO CITIES NEED A BALANCE SHEET?

account. This would leave only asset, liability and surplus accounts on the sheet.

Suppose a city began the year with no assets and no liabilities. Assume then that at the end of the year, as a result of raising and spending money for running expenses only, the city would have certain assets and liabilities. The difference between the assets and liabilities in this case would be just the difference between the revenues and expenses for the year. In other words, the difference would be the surplus or deficit. The operation account would give the history which led up to the result found in the surplus account—would show how it happened. In succeeding years the surplus or deficit at the first of the year, modified by the difference between the revenues and expenses for the current year, would likewise be the difference between the assets and the liabilities. So, in looking at the balance sheet as a statement of present conditions the surplus account would be the key to answer the question, How did it happen? The historical statement of facts would be found in the revenue and expense account. Both this statement and the balance sheet would relate to the annual financial program previously mentioned, and would indicate what changes in revenue policy, what borrowings, etc., would be necessary to

GENERAL ACCOUNT BALANCE SHEET

meet current charges and prevent a deficit. These statements would also show what financial steps had been taken, as well as those that should be taken to finance improvements or the acquisition of permanent property, etc. An illustration of balance sheets will be found in Exhibits 5 to 9, 12 to 14, 29 to 30.

For purposes of clear thinking about the financial program of a city, the assets and liabilities together with the surplus or deficit, which have to do with the current service needs, that is, the cash, revenues receivable, stores, etc., and the accounts and payrolls payable, should be clearly distinguished from the permanent funds and properties, the bonded debt, etc. Those assets and liabilities having to do with current service needs would constitute a **balance sheet of the general account or current balance sheet**. Obviously, a better view of this part of the city's finances would be afforded by omitting all other assets and liabilities.

COMPONENT ELEMENTS OF A FUND BALANCE SHEET

So, too, it is in every way desirable clearly to distinguish authorizations to officers from liabilities, since an officer is permitted to enter into a contract and to sign a voucher only after appropriation, and

ELEMENTS OF FUND BALANCE SHEET

since after contracts have been entered into and vouchers are drawn, definite appropriations are pledged. Inasmuch as appropriations should not exceed the total revenues of the year, full information should be made available showing exactly what relation appropriations bear to revenue and what relation commitments bear to appropriations. This information would be shown in a **fund balance sheet** (Exhibit 7) which would be composed of two elements:

Fund Credits (or authorities to officers to incur liabilities and to draw on the treasury)

As has been stated, public officers are placed under the legal limitation of not being permitted to incur liabilities or to spend, unless authorized by act of appropriation. Each officer, therefore, as well as the public, should know:

1 The amounts for which officers have encumbered appropriations on contracts and orders against which deliveries have not yet been made and the unencumbered balance.

2 The amount for which vouchers have been approved and the unexpended balance of appropriations, i. e., the balance of the authorization to draw on the treasury.

GENERAL ACCOUNT BALANCE SHEET

Fund Debits (or net resources by means of which authorizations to draw may be met)

Opposed to these balances of amounts to which the city has committed itself, would have to be shown the resources which could be availed of to meet the commitments as they become actual liabilities. These would consist of:

1 The balance of current-fund cash over immediate demands for current-fund cash, which may be called **unapplied balance** (of cash).

2 The outstanding accounts receivable, which may be called **available balance** (receivable).

3 The **unrealized balance** of estimated receipts from miscellaneous revenues. Such portion of the estimate as is not realized in the year would have to be replaced with other revenues the following year, because the city by appropriation pledged itself to provide fixed amounts for expenditure. These commitments, both in respect of providing revenues and of authorizing the incurrence of liabilities, comprise the current year funding relations of the city.

In order to show a clear picture of the relations which are prospective and permissive as distinguished from assets and liabilities, a separate state-

CITY OF PHILADELPHIA

General Account—Statement as of July 31 and January 1, 1912 and Comparisons

ASSETS	July 31, 1912	January 1, 1912	Increase	Decrease	LIABILITIES	July 31, 1912	January 1, 1912	Increase	Decrease
CASH	\$2,707,655.07	\$5,858,436.38		\$3,150,781.31	BILLS AND PAYROLLS AUDITED				
AMOUNTS DUE TO THE CITY:					WARRANTS PAYABLE	\$61,801.72	\$2,009,926.80		\$2,088,125.08
Taxes receivable, 1912	8,286,564.88	15,091,910.80		6,805,345.92	TEMPORARY LOAN	114,389.06	620,991.57		512,602.51
Water rents receivable, 1912	517,368.22	4,286,751.53		3,771,383.31	DUPLICATE AND EXCESS TAXES AND WATER RENTS PAYABLE OF 1912 AND 1911		1,200,000.00		1,200,000.00
Delinquent taxes of 1911 and prior years	1,659,982.89	2,662,213.41		992,230.52	ADVANCES FROM CAPITAL ACCOUNT				
Delinquent water rents of 1911 and prior years	49,793.70	135,523.06		85,729.36	RESERVE:				
Delinquent State tax of 1911 and prior years				3,806.19	Unaccrued Taxes, 1912	6,296,600.21	15,091,910.80		8,805,320.59
Delinquent Public Building tax	28,644.26	32,450.45		20.73	Unaccrued Water Rents, 1912	1,788,979.81	4,288,751.53		2,501,771.72
Delinquent Departmental accounts receivable of 1911 and prior years	81,499.60	93,002.99		11,503.39	For non-collection, State tax, 1911 and prior years	17,945.02	17,945.02		
Claims against Commonwealth for primary election expenses	131,551.45	131,551.45			For losses on account of failed trust companies	150,471.13	175,433.72		24,962.54
Suspense account—Due from receivers of failed trust companies	150,471.18	175,433.72		24,962.54	SURPLUS—Cash, Over Immediate Demands for Cash	*2,531,514.29	3,131,618.01		600,003.72
EXPENSES PAID IN ADVANCE	333,595.45		\$333,595.45		SURPLUS—Other Assets and Expenses Paid in Advance Over Other Liabilities, Unaccrued Revenues and Reserves	2,910,781.06	1,805,243.14	1,105,538.82	
					TOTAL SURPLUS	\$5,442,296.25	\$4,936,761.15	\$505,535.10	
TOTAL ASSETS AND EXPENSES PAID IN ADVANCE—GENERAL ACCOUNT	\$13,947,694.70	\$28,459,869.52		\$14,512,167.82	TOTAL LIABILITIES, RESERVES AND SURPLUS—GENERAL ACCOUNT	\$13,947,694.70	\$28,459,869.52		\$14,512,167.82

** Unapplied (Net Cash) Balance"—General Fund Balance Sheet.

Operation Accounts

EXPENSES, January 1 to July 31, 1912	\$16,213,230.25	REVENUES, January 1 to July 31, 1912	\$16,727,783.56
Administration	\$1,743,038.44	Taxes	\$8,803,240.47
Operation	8,918,548.68	Water Rents	2,401,771.72
Maintenance	810,102.00	Miscellaneous	5,422,771.37
Debt Service	4,448,453.53		
Other	292,997.60		
EXCESS OF REVENUES OVER EXPENSES	514,553.31		
TOTAL	\$16,727,783.56	TOTAL	\$16,727,783.56

Surplus Accounts

CHARGES AGAINST SURPLUS:		SURPLUS AT JANUARY 1, 1912 (see General Account Balance Sheet above)	\$4,936,761.15
Allowances and reductions of Delinquent Taxes	\$15,785.54	CREDITS TO SURPLUS:	
Allowances and reductions of Delinquent Water Rents	18,096.59	Excess of revenue over expenses (as above)	514,553.31
Allowances and reductions of Delinquent State Taxes	544.59	Dividends from receivers of failed trust companies	24,962.54
SURPLUS CARRIED TO GENERAL ACCOUNT, July 31, 1912 (see General Account Balance Sheet above)	5,442,296.25	Additions to Delinquent Water Rents and State Taxes	221.12
		Cancelled warrant and sundry adjustments	22.85
TOTAL	\$5,476,520.97	TOTAL	\$5,476,520.97

ELEMENTS OF FUND BALANCE SHEET

ment is required. What is here called a **fund balance sheet** would be produced by means of a group of fund accounts. The summary fund accounts shown on the fund balance sheet would be carried in the general ledger; the details would be carried in subsidiary records, such as appropriation ledgers, liability books, etc.

When the net balance of these commitments is deducted from the surplus of current assets over current liabilities, as shown by the current or general account balance sheet mentioned above, we have the balance available for further appropriation—in other words, the free surplus. Thus is told the whole story of the status of the city's financial program so far as it relates to raising revenues and appropriating and using them to defray its current expenses.

For the purpose of bringing all of these financial relations into a single picture, a city may have prepared what is called a consolidated account. A reproduction of one recently published by the controller of Philadelphia is shown in Exhibit 3.

While many cities make no pretense of presenting balance sheets, there is a growing tendency to submit statements of assets and liabilities which on account of the organization (or lack of it) of the underlying accounts do not admit of correlation with

GENERAL ACCOUNT BALANCE SHEET

statements of other phases of their finances. In other words, such statements are made up from memoranda instead of being based upon book accounts kept on double entry principles. Using again the statements of New Rochelle as an illustration, it may be said that that city is in this category. An exact copy of its balance sheet is found in Exhibit 4. It will be observed that there is no visible relation, through the medium of the amount representing the excess of revenues over expenses, or vice versa, between this balance sheet and the statement of "receipts and expenditures" shown in the previous chapter. It will also be noted that assessments due the city are included among the assets, although no account is made in the statement of \$91,866.43 of outlays for assessable local improvements, \$68,302.10 of which have been assessed against property owners since this statement was prepared, the current deficit stated therefore being needlessly increased by the first named amount. As has been already shown, these assessments receivable are best stated apart from the current assets because they only tend to obscure the picture of operating results. Likewise, certificates of indebtedness sold to raise funds for assessable local improvements are included in the liabilities, which similarly causes confusion. The liability for

(As Issued)

CITY OF NEW ROCHELLE, N. Y.

Current Balance Sheet

CURRENT RESOURCES‡		Dec. 31, 1909	Dec. 31, 1910	CURRENT LIABILITIES†		Dec. 31, 1909	Dec. 31, 1910
Cash on hand.....	\$357,615 55	\$497,108 55		Appropriated Funds.....	\$376,903.27	\$466,134.17	
On order.....	161 05	350 00		Unpaid Audited Vouchers (a).....	30,873.33	31,384.38	
For the current year.....	190,050.88	155,923 05		Current Tax Certificates.....	200,000.00	183,000.00	
Sidewalk Assessments.....	21,863 12			Overdue Tax Certificates.....	43,000.00	93,000.00	
Sidewalk Assessments.....	19,909 35	16,003 55		Sidewalk Certificates.....	60,000.00	100,000.00	
Power Assessments.....	45,193 12	45,655 19		Bond Certificates.....	34,000.00	93,062.50	
Street Paving Assessments.....	12,934.44	16,277 35		Street Paving Certificates.....	28,000.00	37,000.00	
Street Paving Assessments.....	32,541 02	31,297 23		Construction Certificates.....		26,252.82	
Current Resources.....	\$658,405 41	\$784,558 04		Current Liabilities.....	\$722,776.60	\$1,031,833.57	
Current Deficit.....	64,371.19	247,275.53		Current Balance.....			
TOTAL.....	<u>\$722,776 60</u>	<u>\$1,031,833.57</u>		TOTAL.....	<u>\$722,776.60</u>	<u>\$1,031,833.57</u>	
Base Sinking Fund in year.....	\$34,561 24	\$21,642 20		Net increase Funded Debt in year.....	\$362,200.00	\$143,921.00	
Not include Sinking Fund of.....	204,293.09	225,335.29		(Does not include Funded Debt of.....	2,353,737.46	2,499,658.46	

† This is the Current Financial Condition of the City at the end of each year, for which the administration of the year is responsible. Items of \$76,000.00 of overdue certificates have been included in the 1911 budget; the Department of Public Works has levied \$68,302.10 of special assessments; and the administration intends to bond \$87 of construction certificates. These items will decrease the current deficit to the extent of \$176,554.02 less the increase in the deficit during the same period.

‡ These were all December vouchers and were paid in January in the ordinary course of business. In order to include substantially all the transactions of the fiscal year the Comptroller holds his voucher register for December open until about January 20th.

NOTE: The Overdue Tax Certificates are a lien upon the collections of the taxes of the year during which the Certificates were issued. The uncollected Purchased constitute the Sinking Fund for the Redemption of Bonds.

(As Recast)

CITY OF NEW ROCHELLE, N. Y.

Balance Sheet as at December 31, 1910—General Account

This balance sheet reflects only the results of transactions relating to the levy of taxes, the collection of miscellaneous revenues, and the incurring of expenses of operation and maintenance. Taxes which become in arrears, being by charter provision available, as collected, only for the retirement of bonded debt, are excluded from this statement, so as not to show a deficit. For results of transactions relating to capital outlays and assessments, see balance sheet of capital account (Exhibit 9).

Assets	Liabilities and Surplus
Cash in bank and on hand.....	Audited vouchers payable.....
\$138,295 72	\$35,000.00
Accounts receivable, current year only (see head note)	Loans in anticipation of taxes:
153,923 05	Against Taxes of 1910.....
Total assets—general account.....	Against Taxes of 1909.....
\$294,218.77	\$185,000 00
Estimated on account of separating vouchers as between capital account and general account.	Against Taxes of 1906.....
	17,000 00
	Against Taxes of 1905.....
	11,000 00
	Against Taxes of 1904.....
	10,000 00
	278,000 00
	Total liabilities—general account.....
	\$283,000.00
	Excess of cash over immediate demands for cash (see unapplied balance, fund balance sheet, Exhibit 7).
	\$133,391 71
	Excess of other liabilities over other assets.....
	122,076.95
	Surplus of assets over liabilities—general account.....
	11,218.77
	Against this surplus are commitments as shown by fund balance sheet, amounting to.....
	\$140,375.05
	Leaving a deficit to be provided for amounting to.....
	129,156.28
	Total liabilities and surplus—general account.....
	\$294,218.77

Surplus or Deficit Account as at December 31, 1910

Balance from prior years (general account)	Surplus from prior years (general account)
	\$79,736.98
Charges against surplus:	Credits to surplus:
Amount of expenses over revenues for year 1910 as per statement of revenue and expenses (Exhibit 2).....	Collection of Molloy judgment.....
\$329 05	9,845 15
Interest on improvements provided by tax levy.....	
17,000 00	
Reserves applicable to sinking fund.....	
65,133 71	
Surplus, December 31, 1910, as shown in balance sheet, general account	
11,218 77	
\$83,382 13	\$83,382 13
Estimated.	

ELEMENTS OF FUND BALANCE SHEET

construction certificates created in acquiring permanent property is also included although it has no place among the current liabilities, since it does not relate to the raising of revenue or its expenditure for purposes of current operation.

The item in the New Rochelle statement, however, that is most likely to obscure the results of the financial program entered upon at the beginning of the year is that entitled "Appropriated Funds", included among the liabilities. It is our contention that these are not liabilities at all, but represent unexpended balances of appropriations, i.e., the amount unused of authorizations to officers of the city to spend. On the other hand, the encumbrances on these authorizations, such as contracts, orders, etc., are lost sight of entirely.

An appropriation is not only an authorization to enter into contracts and to draw vouchers for payment but as such is in the nature of a commitment against the revenues of the fiscal period. As a commitment it must also be considered a part of the financial program and each appropriation reduces to that extent the appropriable balance of assets realizable during the fiscal period. Each appropriation must be considered as a commitment until rescinded and the revenues or net assets

GENERAL ACCOUNT BALANCE SHEET

so released are made available for further appropriation.

In Exhibit 5 we present a current balance sheet for New Rochelle as it would appear with the elements eliminated which we have argued to be extraneous. Herein are found only the assets and liabilities growing out of the transactions having to do with raising revenue and spending it for current operation. The loans made in anticipation of taxes are in excess of the taxes receivable, because, as explained in the head note, taxes in arrears in this city are by law arbitrarily diverted for the retirement of the funded debt.

We do not mean that this balance sheet as recast tells all it should tell. On the contrary, we should so keep the accounts that the balance of stores on hand and prepaid expenses could be shown as assets available for meeting future expenses; on the other hand, we should show the liability on invoices as soon as deliveries are made, so that there could be no doubt at any time as to what are the actual liabilities of the city to be met as against the assets available for meeting them. Moreover, there is an additional value in knowing the invoice liabilities because invoices cannot be held up by departments and the trading credit of the city thus impaired without the

ELEMENTS OF FUND BALANCE SHEET

finance officer's knowledge if he has a record of them as they accrue. The assets and liabilities which have been omitted from the recast statement presented herewith will be found in the balance sheet of the capital account to be discussed in a later chapter.

It will be conceded by all that clearness should be the essential quality of a financial statement. We therefore hold that the items in a balance sheet should be so classified that assets will be opposed by the liabilities which are to be met by them; for example, cash should be opposed by the immediate demands for cash, and uncollected taxes or other revenues receivable which may be pledged should be opposed by temporary loans made in anticipation of their collection.

We subjoin a statement of the **surplus or deficit account** (Exhibit 6), which has no equivalent in the published statements of New Rochelle. This statement, in conjunction with the statement of revenues and expenses, shown in the previous chapter, is necessary to an intelligent understanding of the changes which have occurred in the assets and liabilities during the year, the balance shown in the statement of the surplus account being identical with the balancing figure in the balance sheet called "Surplus".

GENERAL ACCOUNT BALANCE SHEET

GLOSSARY

In order that there may be no doubt as to the meaning attached to the accounting terms used in these chapters, a glossary based upon modern municipal usage is here given.

Receipts—All cash coming into the possession of a city in a stated period irrespective of the source.

Disbursements—All cash paid out during a stated period regardless of the purpose of the payment.

Revenue—The income accruing to a government from taxes, licenses, public utilities, and miscellaneous other sources in a stated period, irrespective of the period in which the cash is collected.

Expenditures—The total cost incurred, whether for current expenses or capital outlay; this includes the amount represented by liabilities incurred, and also cash purchases.

Expenses—Costs of administration, operation, maintenance and fixed charges incurred in a stated period irrespective of the date of payment.

Administration—A term applied to the cost of direction and control which is not directly allocable

GLOSSARY

to operation, maintenance or capital outlays, or which has not been apportioned thereto.

Operation—A term applied to the transactions growing out of the current service performed by a city; it characterizes the cost of such transactions and the revenues raised to defray this cost.

Capital Outlays—A term used to cover the cost of acquiring property for continuing use, and for carrying “stores” or undistributed “work in progress.” The latter two classes are sometimes called “working capital.” The term “capital outlays” is used in analysis of expenditures; when used in a balance sheet such expenditures are carried in the “asset” accounts.

Maintenance—A term applied to the care and upkeep of physical properties and equipment as distinct from operation or service performed.

Current Assets—Things owned by a city which may be used in the work of operation and maintenance or to meet the cost thereof or which may be used to meet current liabilities.

Current Liabilities—Those growing out of the incurrence of expenses of operation and maintenance, or loans made in anticipation of the collection of revenues.

GENERAL ACCOUNT BALANCE SHEET

Capital Assets—Real estate, buildings, and other structures, equipment and other personal property of a more or less permanent character, and cash provided for these purposes by the sale of bonds.

Capital Liabilities—Liabilities incurred in the acquisition of capital assets.

Contingent Liabilities—Obligations in respect of which there are conditions which have to be fulfilled before they become actual liabilities. Contracts awarded and orders issued are the commonest forms of contingent liabilities.

Accounts Receivable—The uncollected balance of accrued revenues and other claims due a city.

Accounts Payable—Unpaid balances due creditors not evidenced by notes, bonds, or other certificates of indebtedness.

Balance Sheet—A statement of assets and liabilities contrasted in such a manner as to show the excess of one over the other, resulting in either a surplus or a deficit.

Trial Balance—A list of all open balances in a ledger, prepared to ascertain that the total debits equal the total credits, and used as a basis for preparing financial statements.

GLOSSARY

Surplus—The excess of actual assets over actual liabilities. The surplus usually consists of two parts—the amount which must be held available to meet unencumbered appropriations and contingent liabilities and the amount which is available for further appropriation, in other words, the free surplus.

Deficit—The opposite of surplus.

Fund Balance Sheet—A financial statement showing the funding relations of the city, containing on the credit side unexpended authorizations to incur liabilities, contingent liabilities on contracts and orders, reserve for retirement of temporary loans, etc.; on the debit side, resources available for meeting them, such as cash not otherwise applied, outstanding taxes available, and the amount of other revenue which a city has pledged itself to collect.

Appropriation—An authorization to incur liabilities and to expend money for a stated purpose.

Commitment—The obligation to carry out a financial program, comprehending the authorization of expenditures and the raising of revenue to meet them.

CHAPTER III

APPROPRIATION AND FUND ACCOUNTS

In the previous chapters we discussed the balance sheet as a statement of present conditions. In this chapter attention will be given to the detail accounts supporting a fund balance sheet.

City officials may not spend taxpayers' money or incur liabilities without restriction. If checks were not placed upon them by law grave complications might ensue from excessive and irregular expenditures—excessive and irregular as to grand total and as to specific purposes. To enable the taxpayer as well as the legislative officer to know what the executive purposes to do with funds asked for, to locate responsibility for proposals made as well as for policies adopted and amounts authorized to be spent, laws have been passed which require that budgets be submitted; a legal requirement that is common to all cities is that no liabilities shall be incurred and no money spent except pursuant to appropriation ordinances which provide that expenditures must

VALUE OF FUND BALANCE SHEET

be for specific purposes and must not exceed fixed amounts.

These authorizations to spend are usually accompanied by a statement showing how it is proposed to raise the money to meet them. The acts of authorizing expenditures and providing for raising money do not involve transactions of actual income or outgo, and yet exact and provable records must be kept to insure that all the provisions relating to authorizations to spend and means for financing them are faithfully carried out.

To this end, there must be kept an account with each authorization to spend. This is usually done in what is known as a fund ledger, the balances of which provide the details of the amount shown in the balance sheet taken from the general ledger.

VALUE OF FUND BALANCE SHEET TO THE ADMINISTRATOR

Fund accounts currently furnish valuable information to the administrator, for they tell him at all times:

- 1 The balance of each appropriation against which vouchers may be drawn.

- 2 The balance of each appropriation against

APPROPRIATION AND FUND ACCOUNTS

which contracts may be entered into, or orders may be issued.

3 They may also be kept in such manner as to show the amount of warrants paid and outstanding against each appropriation, though this is seldom necessary.

HOW FUND ACCOUNTS ARE DEVELOPED

The character of the accounts in the fund group and their function and value may perhaps be best illustrated by describing the entries through which they are developed. At the time the appropriations granted by the authorizing body become effective, there are two distinct facts to be recorded in the general ledger:

- 1 The amounts appropriated (credit account).
- 2 The means for meeting or funding the appropriations (debit account).

This would require an entry debiting **estimated revenues from taxes and miscellaneous receipts** required to meet budget authorizations and crediting **authorizations to incur liabilities**. The particular wording of these titles is used simply because it is explanatory; any other wording could be adopted for the titles of these accounts or those hereinafter

FUND ACCOUNTS

mentioned. This general ledger entry having been made, the credit account sets up a control over the detail appropriation accounts in a subsidiary ledger against which expenditures are charged in detail; the debit account shows how much money has to be raised to meet the appropriations and is currently reduced by accruals in the form of tax levies and other forms of revenues when realized.

Let us follow the action of these accounts further and note their relation to the proprietary accounts, those accounts showing what the city owns and what it owes, and displaying the results of operation in terms of revenue, expense, surplus and deficit. When the tax roll is levied, **taxes receivable** (asset) in the general ledger is debited and **revenue from taxes** (revenue) is credited. At the same time and for the same amount a collateral or secondary entry is made in the fund group of accounts, also in the general ledger, crediting the account entitled **estimated revenues from taxes and miscellaneous receipts required to meet budget authorizations** and debiting **available balance**. The latter account is necessary to establish a proper double entry equation in the fund accounts. It represents a resource with which to meet the authorizations stated on the credit side of the fund balance sheet.

APPROPRIATION AND FUND ACCOUNTS

As cash is received from taxes, **cash** is debited and **taxes receivable** is credited; at the same time and for the same amount an entry is made in the fund group, crediting **available balance** and debiting **unapplied (net cash) balance**. The latter is another account adopted to establish a proper double entry equation in the fund accounts. It represents a resource (cash over all immediate demands for cash) with which to meet the authorizations stated on the credit side of the fund balance sheet. In the proprietary accounts, cash received from miscellaneous sources is debited to **cash** and credited to the proper **revenue account**, and in the secondary entry in the fund accounts **unapplied (net cash) balance** is debited and **estimated revenues from taxes and miscellaneous receipts** is credited. The "cash" in the asset and liability group represents the bank balance, while "unapplied balance" in the fund group represents the check book balance.

While the foregoing are described as individual entries, as a matter of practice the general ledger accounts would be affected only by totals registered during the period for which general ledger postings are regularly made. If monthly, then the monthly totals of accruals and collections only would be carried to these accounts.

CONTINGENT LIABILITIES

CONTINGENT LIABILITIES SHOULD BE A MATTER OF RECORD

An appropriation is not only an authorization to the treasurer to disburse, and an authorization to the head of a department to "draw", but it is also an authorization to incur liabilities for the purpose specified. Contracts entered into and open orders issued should of course be immediately recorded as encumbrances against authorizations at definite or estimated amounts, otherwise there is no way of telling quickly how much of an appropriation is free for further encumbrance.

As contracts are awarded, they are registered, and from the total of the register an entry is made in the general ledger, debiting **authorizations to incur liabilities** and crediting **reserve for contracts**, by which is set up the contingent liability on contracts against which deliveries have not yet been made. Open orders are credited to **reserve for open market orders** and **authorizations to incur liabilities** is similarly debited. It will be noted that the proprietary accounts are not affected by these transactions. Entries in detail will be made in the accounts carried in the appropriation ledger, thereby developing the amount reserved for contracts

APPROPRIATION AND FUND ACCOUNTS

and open market orders, and the encumbered balance of each account.

Let us next assume that deliveries are made against these contracts and orders and that invoices are received for them. These invoices are credited to **invoices payable** and charged to **expenses, stores, or property**, as the particulars of the items determine. Later, vouchers are drawn; these will be registered for the purpose of developing totals for the general ledger posting: **invoices payable** debtor to **vouchers payable**. Coincident with the latter entry, a collateral entry is made in the fund group. In so far as vouchers are on account of contracts, **reserve for contracts** is debited and **unapplied (net cash) balance** is credited; in so far as vouchers are on account of open market orders, **reserve for open market orders** is debited and **unapplied (net cash) balance** credited. The only entries from vouchers to detail accounts would be in the **appropriation or fund ledger**, and the **contract ledger**, if one were kept.

By making this entry at this stage, the account **unapplied (net cash) balance** shows only the cash available for liabilities not yet matured. In this relation it is to be noted that whatever the practice with respect to invoices, the purpose is to have only

CONTINGENT LIABILITIES

the amount of vouchers approved for payment charged against appropriation or fund accounts. On the other hand, in the asset and liability group of accounts the purpose is to take control over goods as soon as received; to do this invoices are registered from the totals of which **stores** or other asset or expense accounts are charged and **invoices payable** are credited in the general ledger. In case the practice is to make the invoice serve as a voucher, or in case the invoice register is also used for a voucher register, then a double general ledger journal entry would be made dropping the invoices payable account from the liabilities and showing only vouchers payable. Another practice is to carry the total of the invoice register into an "accounts payable" account, and to liquidate this from the "vouchers paid" register or cash book, thereby avoiding the "vouchers payable" account.

In case vouchers are drawn for amounts differing from the estimated amounts of contracts and orders, the differences must be applied in readjustment of the reserves. This can be conveniently done by means of columns in the voucher register and the appropriation ledger.

When a loan is made in anticipation of the collection of taxes, **cash** is debited and **temporary loans**

APPROPRIATION AND FUND ACCOUNTS

credited; at the same time a collateral entry is made in the fund group debiting **unapplied (net cash) balance** and crediting **reserve for temporary loans**, to make sure that assets will be set aside pending the maturing of the loan.

For the purpose of clarity the foregoing general ledger entries are here repeated in tabulated form.

JOURNAL ENTRIES

- 1 Estimated revenues from taxes and miscellaneous receipts required to meet budget authorizations

To authorizations to incur liabilities

Entry made when budget ordinance becomes operative.

- 2 Taxes receivable (asset)

To revenue from taxes (revenue)

Entry made when tax roll is completed.

- 2a Available balance

To estimated revenues from taxes and miscellaneous receipts, etc.

Collateral entry to No. 2.

JOURNAL ENTRIES

3 Cash

To taxes receivable

Entry made from registered total of taxes collected.

3a Unapplied (net cash) balance

To available balance

Collateral entry to No. 3.

4 Cash

To revenue, miscellaneous sources

Entry made from registered total of cash received from sources other than taxes.

4a Unapplied (net cash) balance

To estimated revenues from taxes and miscellaneous receipts, etc.

Collateral entry to No. 4.

5 Authorizations to incur liabilities

To reserve for contracts

To reserve for open market orders

Entry made from registered total of contracts awarded and open market orders issued.

APPROPRIATION AND FUND ACCOUNTS

6 Expenses

Stores

Permanent property

To invoices payable

Entry made from registered total of invoices showing deliveries made on contracts and orders.

7 Invoices payable

To vouchers (or warrants) payable

Entry made from registered total of vouchers approved.

7a Reserve for contracts

Reserve for open market orders

To unapplied (net cash) balance

Collateral entry to No. 7.

8 Cash

To temporary loans

Entry made when money is borrowed against outstanding taxes or other revenues.

8a Unapplied (net cash) balance

To reserve for retirement of temporary loans

Collateral entry to No. 8.

UNCOLLECTIBLE TAXES

PROVISION FOR UNCOLLECTIBLE TAXES

Owing to the fact that in practical experience there is nearly always a percentage of taxes which either has to be abated or cannot be collected for one reason or another, it is necessary to set up a reserve to provide for the loss.

The practical way of handling this problem is to include in the budget an appropriation to provide for this probable shrinkage. For example, if the experience of the past five years is that on an average twelve per cent. of the taxes levied prove uncollectible, in other words, that only 88 per cent. of the taxes levied are collected, the net yield desired should be divided by .88 to find the amount which should be levied. Twelve per cent. of this amount should then be included in the budget under the title of **reserve for loss on taxes.**

The entry in the proprietary accounts would be:

Taxes receivable (for total amount of levy)

To revenue, taxes (for yield desired—88 per cent.).

To reserve for loss (for anticipated shrinkage in taxes—12 per cent.).

The collateral entry in the fund accounts would

APPROPRIATION AND FUND ACCOUNTS

be merged with the opening entry by which the total appropriation for the year is put in books.

In the general account balance sheet **taxes receivable** would appear among the assets with a deduction "less reserve for loss", the net amount being regarded as the actual asset.

A FINANCIAL STEERING CHART

If the balances of these fund accounts were now to be taken from the general ledger and properly related to each other we should have statements similar to those shown in Exhibits 7 and 8. Here we have the unencumbered balance of authorizations to incur liabilities and the contingent liabilities on contracts and orders opposed by the resources, actual and prospective, which should be available by the time these contingent liabilities mature into actual liabilities.

The details of the unencumbered balances and contingent liabilities are carried in appropriation ledgers, liability books, etc., over which records these accounts operate as controlling accounts.

The **unapplied (net cash) balance** appearing in Exhibit 7 will be found identical with the difference between the cash on hand and the immediate de-

EXHIBIT 7

CITY OF NEW ROCHELLE, N. Y.

Fund Balance Sheet—General Account as at December 31, 1910

(No statement of this character is issued by New Rochelle)

Debits		Credits	
Granted revenues from taxes and miscellaneous receipts required to meet budget authorizations.....	\$129,156.28	Authorizations to incur liabilities, unexpended balances.....	\$140,375.05
(unrealized balance to be included in next year's tax levy; Exhibit 5)		Unencumbered balances.....	\$119,900.67
able balance (accounts receivable).....	155,023.05	Reserve for contracts (unliquidated contracts).....	2,000.00
plied (net cash) balance.....	155,295.72	Reserve for open market orders (unliquidated orders).....	24,384.38
(excess of cash over immediate demands for cash)		Reserve for retirement of loans in anticipation of taxes.....	278,000.00
TOTAL DEBIT BALANCES.....	\$418,375.05	TOTAL CREDIT BALANCES.....	\$418,375.05

EXHIBIT 8

Fund Balance Sheet—Capital Account—Loan Funds

Debits		Credits	
Authorized and unissued.....		Authorization to incur liabilities, unexpended balances.....	\$269,325.46
plied (net cash) balance.....	\$276,304.79	Unencumbered balances.....	\$37,000.00
(excess of cash over immediate demands for cash)		Reserve for contracts (unliquidated contracts).....	232,325.46
		Reserve for open market orders (unliquidated orders).....	
		Reserve for retirement of assessment bonds.....	7,079.83
TOTAL DEBIT BALANCES.....	\$276,304.79	TOTAL CREDIT BALANCES.....	\$276,304.79

A FINANCIAL STEERING CHART

mands for cash, i.e., audited vouchers payable shown in the general account balance sheet illustrated in Chapter II (Exhibit 5); in other words, it represents the surplus cash which is on hand and held in anticipation of liabilities not yet incurred or which are as yet only in the contingent stage.

The **available balance** is the exact amount shown among the assets in the general account balance sheet as taxes or revenue receivable—provided that all taxes and revenues receivable are for the general fund. If, however, as sometimes happens, only cash received from one source or another is available for appropriation purposes then there would be a corresponding difference.

The information shown by these fund accounts is of fundamental importance to the financial officer in preparing for future financing, yet it is a fact that the accounts of very few cities are so kept that this information can be shown automatically by the accounts, that is, without special analysis involving in most cases a great amount of time and labor.

The account entitled **estimated revenues from taxes and miscellaneous receipts required to meet budget authorizations** will show at the end of the year whether sufficient revenues have been realized. If the account shows a credit balance, it means that

APPROPRIATION AND FUND ACCOUNTS

expectations have been more than realized and that the excess may be applied to reduce taxes of the following year. A debit balance would indicate that sufficient revenue to meet appropriations had not been realized and, assuming that the full amount of appropriations in force would be spent, this balance would have to be included in the tax levy of the following year.

This debit balance must therefore be considered as a prospective asset inasmuch as it must be provided for in the tax levy of the following year. When this amount is added to the surplus shown by the general account balance sheet and the items on the credit side of the fund balance sheet are deducted from the total, as is done in the summary consolidated balance sheet (Exhibit 14), we have the uncommitted balance of the general account, in other words, the amount available for further appropriation.

It will be observed that the general account balance sheet and the fund balance sheet are distinct categories, the former comprehending actual or realized quantities, the latter dealing with prospective assets and contingent liabilities which in due course will become actual; but the two statements must be brought together or combined, as previously stated,

NEW ROCHELLE BALANCE SHEET

to show the full picture of the city's financial status and prospects.

FUND BALANCE SHEET AND BORROWINGS FOR OUTLAYS

A separate group of fund accounts for bond funds is required, the procedure for conducting them being similar to that suggested for revenue funds. Instead of the account **estimated revenues from taxes and miscellaneous receipts** required to meet budget authorizations, the account **loans authorized and unissued** is substituted, the offsetting account being **authorizations to incur liabilities** as in the case of revenue funds. In other respects the same kinds of account are employed and their development proceeds in the same way.

THE NEW ROCHELLE BALANCE SHEET

In the New Rochelle balance sheet as issued, reproduced in Chapter II, appropriations are shown among the liabilities at \$466,134.17. This figure, as will now be seen, resolves itself into several amounts having entirely different financial relations. Not only does this amount consist of unencumbered

APPROPRIATION AND FUND ACCOUNTS

appropriations and contingent liabilities on contracts and orders of the general account, but it includes similar items belonging to funds raised by the sale of bonds.

The large debit balance representing the amount not realized of estimated revenues, \$129,156.28, is due chiefly to the fact that the taxes in arrears, which according to charter provision of this city must be devoted to paying off the bonded debt, have been charged back to this account coincident with their removal from the assets of the general account to the assets of the sinking fund in order to show the amount which must be included in the tax levy of the following year.

Contrast with this the financial statements of the town of Montclair, New Jersey. These statements tell accurately and completely the story of every financial relation of the municipality (Exhibits 29, 30 and accompanying schedules).

CHAPTER IV

THE CAPITAL ACCOUNT BALANCE SHEET

In a previous chapter it was stated that the principal business of a municipal corporation is to perform certain kinds of service for the benefit of the community; that this meant raising revenues and spending them for operation and maintenance; that these acts created assets and liabilities; and that these assets and liabilities were best exhibited in a separate statement, which we designated a **general account balance sheet** (Exhibit 5).

A municipality has another important category of assets and liabilities, namely, those relating to the equipment, plants and other properties acquired and maintained by which public service is performed. For example, in the work of cleaning streets, horses, carts, disposal plants, and other property are required; in furnishing fire protection, fire-fighting equipment, engine houses, telegraph alarm plants are necessary, and so on.

These assets and the liabilities incurred in acquir-

CAPITAL ACCOUNT BALANCE SHEET

ing them are obviously in a distinct category from those relating to operation. For this reason they are best exhibited in a separate statement. This statement, an illustration of which is found in Exhibit 9, we call a **capital account balance sheet**.

RESULTS TO BE RECORDED

Every municipal transaction involving expenditure of money or an incurrence of liability must be recorded with reference to two distinct requirements. First, a **fund account** fixing a limit of expenditure must be charged in order that funds shall not be over-expended. Second, an **asset account**, or an **expense account**, as the case may be, must be charged as in any commercial business, in order that the administrator may know what became of the money.

If this procedure were not observed and only the first of these requirements were taken into consideration, we should have only fund accounts telling how much money had been spent and the balance of the appropriation or other authorization unexpended. If all the money had been spent these accounts would be closed or balanced. We should not have accounts with debit balances showing what funds had been spent for; we should not have complete, accurate

EXHIBIT 9

CITY OF NEW ROCHELLE, N. Y.

Balance Sheet as at December 31, 1910—Capital Account

This balance sheet presents only the results of transactions relating to assessments and outlays for permanent improvements. For results of transactions relating to current revenues and expenses, see general account balance sheet (Exhibit 5).

Assets	Liabilities and Surplus
Cash..... \$279,304.79 Assessments receivable: Sidewalk..... \$27,886.67 Sewer..... 61,802.54 Paving..... 31,297.23 121,116.44 Local improvements in progress..... 191,866.43 Lands, buildings, equipment, and other permanent improvements.... 2,589,346.82	Audited vouchers payable..... *\$3,000.00 Certificates of indebtedness issued for: Sidewalk improvements..... \$100,000.00 Sewer improvements..... 95,062.20 Street paving improvements..... 37,000.00 230,062.20 Certificates of indebtedness issued for construction..... 26,252.82 Bonded debt..... \$2,489,638.16 Less sinking fund cash (form of sinking fund balance sheet illustrated in Exhibit 13)..... 78,267.80 2,421,390.66 Surplus—Cash over immediate demands for cash..... \$279,304.79 Surplus—Properties and other assets over certificates of indebtedness and net funded debt..... 153,624.01 Total surplus, capital account..... 409,928.80
Total assets, capital account..... \$3,090,634.48	Total liabilities and surplus, capital account..... \$3,090,634.48

*Estimated on account of separating vouchers as between capital account and current account.

†Since December 31, 1910, \$68,302.10 of this amount has been assessed against property benefited; if any portion of the balance has to be borne by the city, provision for raising such amount will have to be made.

NOTE: Bonded debt includes some deficiency bonds, the details of which are not at hand. Ordinarily it would be better form to state such bonds in a separate item.

EXHIBIT 10

STATEMENT RECONCILING DEFICIT

Shown by New Rochelle's Statement with Deficit Shown by Recast Statements

New Rochelle's Statement

Deficit as shown by New Rochelle's statement (Exhibit 4)..... \$247,275.53

Recast Statements

Deficit of general account as shown by general account balance sheet (Ex. 6) and by fund balance sheet, general account (Ex. 7)..... \$129,156.28
 Liability for construction certificates removed from general account and transferred to capital account..... 26,252.82
 Local improvements in progress paid from assessment certificates not shown as an asset in New Rochelle's balance sheet;
 of this amount \$68,302.10 has already been assessed since the date of the statement (see Ex. 9 above)..... 91,800.43 247,275.53

RESULTS TO BE RECORDED

and prompt information about expenses, stores, and properties; nor would we have produced general ledger accounts from which a balance sheet and a revenue and expense statement could be prepared. Notwithstanding this, most cities observe only the first-mentioned requirement.

What would be thought of a merchant or manufacturer who kept only a cash book account or record of cash payments and did not currently post these payments to a ledger containing separate expenditure accounts for real estate, buildings, equipment, supplies, salaries, general expenses, etc., so that the accounts would show currently and automatically how much had been spent to date under each head?

If a city's accounts are to serve their full purpose and not tell half stories, they must be so kept as to show not only how much of each appropriation is spent, but, by means of suitably classified expenditure accounts, what it is spent for. For example, how can the personal property of a city be properly accounted for and conserved against loss by waste, negligence or theft unless accounts are set up currently as purchases are made, which will show what property should be on hand? How can an incoming department head perform his full duty to the public

CAPITAL ACCOUNT BALANCE SHEET

if he has no means of knowing what property he is assuming responsibility for as custodian, or how can he be properly relieved of this responsibility on retiring from office unless such means are at hand?

FACTS WHICH SHOULD BE SET FORTH IN A CAPITAL ACCOUNT BALANCE SHEET

A capital account balance sheet tells what the status is of accounts representing outlays for permanent properties and improvements and shows what current obligations the city owes on account of these outlays, and the amount of the bonded debt.

It will be observed that in the subjoined statement cash is included among the assets of the capital account as well as among the assets of the general account discussed in Chapter II. Capital account cash is that which is raised and held exclusively for purchasing permanent properties or for meeting capital liabilities. It is usually obtained by selling bonds.

If money for capital outlays is provided by direct appropriations a charge for the outlays is made in the general account and carried until the end of the fiscal year. These charges are then transferred to the capital account by debiting the surplus of the general account and crediting the account originally

PROPERTIES AND BONDED DEBT

charged, and by debiting a property account and crediting the surplus of the capital account.

It will also be noted that there are demand liabilities included among the capital liabilities as well as among the liabilities of the general or current account, as, for example, vouchers for the purchase of equipment or on account of construction, awards in condemnation proceedings, etc. Inasmuch as these liabilities are liquidated by cash held for capital expenditure, they are properly shown in the capital balance sheet opposed to cash.

VALUE OF CONTRASTING PERMANENT PROPERTIES WITH BONDED DEBT

It is sometimes urged that permanent properties and bonded debt of cities should not be contrasted in balance sheet form for the reason that the former are never regarded as available for liquidating the bonded debt. Those who hold this view do not contend, however, that these facts should not be reported in some manner.

With respect to this contention it need only be said that the purpose of the capital balance sheet is not to show resources available to meet the bonded debt—these are to be found in the sinking fund ac-

CAPITAL ACCOUNT BALANCE SHEET

count. What is intended is to produce useful information about the results of past transactions in so far as they may affect the future. In this relation it is contended that the bonded debt is an obligation to be met by the taxpayers in future years. Since a heritage of debt has been provided, it is but just that the heritage of useful properties acquired may also be definitely known. So far as the future taxpayer is concerned the capital account balance sheet is a summary of inventories of debts and properties inherited. So far as the present question is concerned the capital account balance sheet serves several useful purposes.

In the first place, it enables the taxpayer to know what provision he is making for his future. In the second place, it enables him to know what the officer has done with funds voted for the acquisition of properties and the payment of debt. In the third place, it lays the foundation for thinking about the need for funds for capital use as well as provides for clearly distinguishing current expenses from the cost of properties acquired. In the fourth place, it keeps before the taxpayer the data needed to think about the burdens of debt service as compared with the decrease in expenses such as rents. In the fifth place, it lays the foundation for thinking about ques-

PROPERTIES AND BONDED DEBT

tions of administration pertaining to property owned and used, and bonded debt outstanding.

Moreover, we need only recall that the business world, by established habit, expects to find what a concern owns and what it owes in a balance sheet regardless of what is the particular relation of certain assets to certain liabilities included therein. No good reason for making an exception in the case of a municipal corporation appears.

Finally a properly prepared balance sheet always implies a certificate of character, so to speak, of the bookkeeping methods employed, indicating that accounts have been kept according to double entry methods and that the books are in balance. Furthermore, a balance sheet of this character is *prima facie* evidence that no assets or liabilities have been omitted from it.

The relation between the value of permanent properties and bonded debt cannot fail to be of interest, even though this relation is constantly changing due to the fact that new properties are being acquired from time to time, values of old properties are depreciating or increasing, old bond issues are being retired, and new issues are being floated.

If bonded debt is created only by outlays for permanent property, the margin of properties over

CAPITAL ACCOUNT BALANCE SHEET

bonded debt will gradually increase as bonds are paid off, and this trend will be disclosed by the balance sheets of successive years. If, on the other hand, a practice is made of creating bonded debt to meet current expenses, evidence of such an unwise financial policy will gradually be manifested in a reduction of the margin of properties over bonded debt, and will be disclosed by successive balance sheets.

It is evident, therefore, that there is a distinct value in incorporating the facts regarding permanent properties owned and bonds outstanding in the central financial statement of the municipality, namely the balance sheet, especially as this form of presentation insures greater accuracy and uniformity.

ADMINISTRATIVE VALUE OF A CAPITAL ACCOUNT BALANCE SHEET

A properly prepared balance sheet with its supporting schedules of details is of inestimable value to the administrator. It gives him in summary form periodically—yearly, quarterly, monthly or daily—a bird's-eye view of what the city owns and owes. It is a final summary upon which he can base inquiry in many directions and in regard to many things.

FORM NO. 3

DATE THIS INVENTORY WAS TAKEN _____

DEPARTMENT

Signatures of Persons Taking This Inventory

CERTIFIED CORRECT

BUREAU

BUILDING OR ROOM CONTAINING

ARTICLES DESCRIBED ON THIS SHEET..

Heat:

Type No.	Name or Description of Article	From Whom Purchased or Acquired	Code Designation of Similar Article	Number of Exactly Similar Articles	Price Paid for Article	Total	Name of Departmental Records, if Any, from Which This Information or Any Portion Thereof is Taken Refer to Columns by Numbers	Present Condition of Article Practically New (a) Good (b) Poor (c)	Date of Purchase or Acquisition if Known	Approximate Date of Purchase or Acquisition if Not Known	Probable Remaining Life of Article	Present Value of Article	For Use of City Council
1	2	3	4	5	6	7	8	9	10	11	12	13	14

FOR BINDING ONLY.

FORM NO. 2

CITY OF PHILADELPHIA

INVENTORY OF APPARATUS, FIXTURES AND ACCESSORIES OF BUILDINGS, TECHNICAL PLANTS AND OTHER STRUCTURES

HEATING, LIGHTING, POWER, ELECTRICAL, PUMPING, VENTILATING, FILTRATION, DRINKING WATER, ELEVATOR AND OTHER APPARATUS AND FIXTURES. LIST EACH APPARATUS OR FIXTURE SEPARATELY AND WHEN CONSTRUCTION LIST THE SEVERAL PARTS SEPARATELY. LIST ADDITIONS OR BETTERMENTS TO APPARATUS OR FIXTURES ON SEPARATE LINES IMMEDIATELY UNDER THE LINE OF THE ORIGINAL APPARATUS.

Signatures of Persons Taking This Inventory

DATE THIS INVENTORY _____

DEPARTMENT

BUREAU.....

NAME OF STRUCTURE

LOCATION

CERTIFIED CORN

	Line No.	Description of Each Apparatus or Fixture	Trade Name or Catalogue Designation	From Whom Purchased or Acquired	Price Paid for Apparatus or Fixture, Including Installation	Date of Installation, if Known	Approximate Date of Installation, if Not Known	Present Value of Apparatus or Fixture	Present Condition of Apparatus or Fixture New (a) Good (b) Poor (c)	Probable Remaining Life of Apparatus or Fixture in Years	Name and Location of the Department or Other Public Records, if Any, from Which This Information Was Taken	For Use of _____
	1	2	3	4	5	6	7	8	9	10	11	12
	1	FORM NO. 1										
	2											
	3	CITY OF PHILADELPHIA										
	4	INVENTORY OF LAND, BUILDINGS AND OTHER STRUCTURES										
	5	BUREAU.....										
	6	Taking This Inventory										
	7	Note—Where there have been additions to or betterments to any property after it was acquired or built by the City, list them on separate lines immediately under the line of the original property.										
	8											
	9											
	10											
	11											
	12											
	1											
	2											
	3											
	4											
	5											
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	4											
	5											
	6											
	7											
	8											
	9											
	10											
	11											
	12											

everybody

CERTIFIED CORRECT

Head of Department

No. of Articles	Present Condition of Article Practically New or Good to Poor	Date of Purchase or Acquisition if Known	Approximate Date of Purchase or Acquisition if Not Known	Probable Remaining Life of Article	Present Value of Article	For Use of City Controller's Dept. Only	
10			11	12	13	14	15

BUILDINGS, TECHNICAL PLANTS AND OTHER STRUCTURES

Making This Inventory

DATE THIS INVENTORY WAS TAKEN _____

CERTIFIED CORRECT

Head of Department

Date Installed or Acquired	Present Value of Apparatus or Fixture	Present Condition of Apparatus or Fixture Practically New (a) Good (b) Poor (c)	Probable Remaining Life of Apparatus or Fixture in Years	Name and Location of the Departmental or Other Public Building, if Any, from Which This Information is Taken	For Use of Controller's Department Only	
					12	13
7	8	9	10	11	12	13

PHILADELPHIA

BUILDINGS AND OTHER STRUCTURES

Taking This Inventory

DATE THIS INVENTORY WAS TAKEN _____

CERTIFIED CORRECT

Head of Department

[illegible]

ADMINISTRATIVE VALUE

It shows him, among other important facts, what properties the administration is responsible for as custodian, since each summary account in the balance sheet should be supported by subsidiary records which give every item of city property from a crow-bar to a city park, these underlying records being controlled as to their accuracy and completeness by the summary accounts.

Finally, the fidelity of custodianship, as well as the accuracy of information contained in the account, is proved periodically by inventory. The value of the property account may be considered under three heads:

- 1 Its value to the budget-maker
- 2 Its value to the administrator
- 3 Its value to the subordinate.

The value of exact information of this kind to the budget-maker may be illustrated by reference to the form of inventory used in the city of Philadelphia in relation to its property accounts (Exhibit 11). On this provision is made for showing: (1) original cost; (2) date of purchase; (3) present condition; (4) present use; (5) probable period of future use; (6) present value—or the figure at which it stands on the books. From this information all the

CAPITAL ACCOUNT BALANCE SHEET

buildings and equipment of the city may be classified by estimated periods of future use. That is, in one column may be shown the cost of property which it is estimated must be replaced this year, next year, the year following, and so on to the last year shown on the inventory. The result obtained would give to those charged with making estimates for appropriations the information needed to show how much should be included in the budget for "replacement" of properties already acquired over a period of years. In other words, by this means the budget-maker would have before him the facts necessary to prepare, or if prepared, then the supporting data for a property mortality table that would put the financing of "replacements" on as exact a basis as do the mortality tables of a life insurance company the financing of its risks. In case the appropriating body failed or refused to make proper provision, or if an executive officer did not request proper allowance, no one would be deceived. The basis would be laid for intelligent action.

The value of a complete and accurate property account to the administrator is two-fold:

- 1 It lays the foundation for administering on the fidelity or infidelity of subordinates.

ADMINISTRATIVE VALUE

2 It lays the foundation for administering on upkeep.

3 It lays the foundation for administering on the efficiency of subordinates in caring for and using buildings and equipment.

No one doubts the advantage of a strict account for cash. Yet there are many kinds of property for which it is just as important to provide protection, in fact, even more important to the work of the city. These advantages are discussed at some length later. At this point, it seems needful to say only that what "property mortality" statistics are to the budget-maker, "property vital" statistics are to the administrator. The property account lays the foundation for audit of sales, condemnations, demolitions, losses, and other mortality returns; it lays the foundation for actuarial data pertaining to "upkeep" over a period of years; it gives a basis for establishing reserves for "depreciation". All of these are data essential to sound thinking.

The value to the subordinate is that it enables each custodian and each keeper or caretaker to make an efficiency record. He has the benefit of his consideration for the public welfare in giving attention to the implements or instruments provided for ren-

CAPITAL ACCOUNT BALANCE SHEET

dering public service. This is not only due to the employee, but is the kind of a premium to be placed on fidelity and efficient service that the public cannot well forego.

In some cities property is sometimes bought and permitted to lie idle. After a while it is forgotten. The accounts summarized in a capital balance sheet are a constant reminder that property is owned that should be making good account of itself.

Finally, the value of the good effect which a well-prepared balance sheet must necessarily produce in the minds of prospective buyers of a city's bonds should not be overlooked.

WHAT IS CAPITAL SURPLUS AS DISTINGUISHED FROM CURRENT SURPLUS

It is relatively unimportant what the excess of capital assets over capital liabilities is called, so long as the difference is clearly stated; that is, so long as the excess of cash over immediate demands for cash is shown separately from the excess of permanent property over the funded debt.

These balances may with perfect propriety be called "surplus", and, so long as separate statements are made of the capital account and the general ac-

WHAT IS CAPITAL SURPLUS?

count, no one need be misled into thinking that a city is in good financial condition because it has an excess of properties over bonded debt, while at the same time there is a deficit in the general account—that is, a deficit caused by expenses exceeding revenues. With equal propriety this excess may be called “funds, properties and equipment provided by revenue”.

While these two statements showing present conditions are expressed separately for the reason that each tells a different story, all the financial data may be reduced to a single summary. The advantage of doing this is to have the capital balance sheet, the current or general account balance sheet with other statements, brought together in a **summary consolidated balance sheet** in order that every element of the city's condition which is reflected in the accounts may be seen at a glance, the several individual balance sheets being in the nature of supporting schedules to this summary. An illustration of such a summary will be found in Exhibit 14.

VALUATION OF PERMANENT PROPERTIES

It is of secondary importance whether properties are shown in a municipal balance sheet at cost or

CAPITAL ACCOUNT BALANCE SHEET

present value. It is of primary importance, however, that cost should be shown in the detail accounts and inventories for the reasons already set forth. The better practice, in public as well as private accounting, is to show properties on the balance sheet at cost and to set up a reserve for depreciation, the net amount being extended as the asset of the city. Both would then be supported in detail by inventory or otherwise. Where property accounts are currently charged with outlays they will always show cost, and there will not be many instances where cost will not suffice for balance sheet purposes. However, it is advisable to state in a footnote in the balance sheet whether cost or present value is used.

Of course under a scientific financial plan, in the case of properties that are continually undergoing deterioration, an annual charge to expenses should be made for depreciation, and provision for this charge should be included in the budget of expenses. These charges should be credited to a **reserve for depreciation account** so that the facts may be known both as to original cost and the amount provided to meet depreciation. By charging at cost properties acquired, additions, and betterments, until demolished or sold, and by treating the depreciation reserve as

PROPERTY ACCOUNTS

an insurance against loss from deterioration, not only the community but the officer will have useful information that is usually lacking in municipalities. At the end of the period estimated to be the life of the property, there should be represented in this reserve a fund sufficient to replace the property at cost. It is to be noted that the accounting system of the United States Reclamation Service, referred to in Chapter XI, provides for reporting monthly to the central office depreciation on both plant and equipment (Exhibits 25 and 28). The amounts thus reported form the basis for increase in depreciation ledger accounts. This is the only way by which an equitable distribution of the cost of permanent improvements and properties can be made as between present and future water rate payers and at the same time the investment of the government protected.

STEPS NECESSARY TO ESTABLISH PROPERTY ACCOUNTS

To set up accounts showing all the permanent property owned by a city it is necessary to make an inventory. This inventory should provide for the description of each item, date of purchase or construction, original cost, statement as to present condition, estimate of probable life to run, estimated

CAPITAL ACCOUNT BALANCE SHEET

depreciation or appreciation, the net or present depreciated cost, and when completed should be certified as correct by the department heads having jurisdiction, space being left in the record for independent appraisement or adjustment of figures reported.

The real estate property ledger should provide on the page opposite each account for a drawing and description of property with references to current files of data submitted from time to time as budget estimates. When the values at which the properties are to be entered in the property ledger have been determined, an entry should be made debiting each property account. On the credit side of the ledger these accounts would be offset by the reserve for depreciation, losses, sales, etc. In the general ledger only totals showing cost and the depreciation reserve would be used.

TREATMENT OF ASSESSMENT ACCOUNTS

Accounts relating to improvements which are assessable against property deemed benefited are included among the capital accounts because these improvements belong to the city and increase the capital surplus.

ASSESSMENT ACCOUNTS

Stated in general terms, the theory of assessment accounts is that the city lays out money for improvements benefiting particular sections of the city and then levies assessments against the property benefited to recover the money so spent. In some cities the property owner deals with the contractor, the city merely acting as agent. In such cases, however, the improvement usually belongs to the city when completed.

Probably the most used method of financing these expenditures is to issue bonds, sometimes called assessment bonds. Outlays for the improvements are charged to a **local improvements in progress account** and when the improvement is completed, **assessments receivable**, representing accounts against individual owners of property benefited, is charged and the former account credited; at the same time an account with **permanent improvements** is charged and **capital surplus** is credited. Such an arrangement enables the city to carry on a large or small improvement as may be required.

In the case of improvements paid for out of bond funds care must be exercised to see that money recovered from property owners by the collection of assessments is applied to retire the bonds sold for the purpose or returned to the source from

CAPITAL ACCOUNT BALANCE SHEET

which it was obtained. This may be done by crediting collections, exclusive of interest and penalties, to reserve for retirement of assessment bonds and debiting unapplied (net cash) balance in the fund balance sheet (Exhibit 8). The money provided by the city to meet any deficiency in assessments or to pay assessments on city-owned property must also be credited to this reserve. When all assessments have been collected there will be just enough money represented by this reserve to pay off the bonds originally sold to raise funds for the assessable improvements. This illustrates another phase of the utility of the fund accounts and the fund balance sheet.

EFFECT OF RECASTING NEW ROCHELLE'S STATEMENTS

It will be observed that in recasting New Rochelle's balance sheet and by including in the recast statements certain items which were omitted from New Rochelle's statement as issued, the deficit of \$247,275.53 shown by the latter becomes a deficit of only \$129,156.28. The explanation of this difference will be found in the reconciliation statement (Exhibit 10).

CHAPTER V

SINKING FUNDS AND TRUST FUNDS

One of the most important things a city has to do is to make provision each year for paying off its bonds as they mature. Notwithstanding this, it is probably true that there are few operations handled less scientifically than the computation of sinking funds.

Every city at some time or other is obliged to borrow money on its bonds to pay for properties purchased or improvements made. Indeed, some cities have been known to be so improvident as to issue long term bonds to make up accumulated shortages in current revenues, otherwise known as deficiencies.

If a city fails to provide for the retirement of its bonds at maturity either by amortization through sinking fund or installment redemptions, it places itself at an obvious disadvantage in offering its bonds for sale.

It is surprising how few cities really pursue exact

SINKING FUNDS AND TRUST FUNDS

methods in providing for the retirement of bonded debt. When we realize what a simple matter it is to compute sinking funds and provide the annual installments necessary and then see how officials have failed to do their duty in this respect, we get an idea of the unscientific character of many of our city governments.

The incoming mayor of a small eastern city having a gross bonded debt of a little over \$2,000,000, found that the sinking fund was short \$600,000. Provision for one-half of this amount had never been made and the other half, although provided for by annual taxation, had never been paid into the sinking fund, having been used for current expenses, although book entries showing what the sinking fund was entitled to were made.

Improperly considered state laws are also responsible for bad methods of administering sinking funds. In an eastern state three and one-third per cent. of par value was fixed by law as the amount which certain municipalities should set aside for sinking funds. Assuming that three and one-half per cent. could be earned by sinking funds, this annual provision would retire the bonds in about twenty-one years. If bonds were issued for a longer term, and they usually are, sinking funds provided on this basis would be far

HOW SINKING FUND IS ESTABLISHED

in excess of requirements, thus placing an excessive burden on taxpayers.

Under sound financial methods for retiring its bonds at maturity, there is no reason why any city should not be able to borrow money freely on favorable terms for permanent properties and improvements. Of course, such improvements must be conservatively projected, and obligations as issued must fall within constitutional or statutory limitations upon municipal indebtedness.

In determining the period for which bonds should run, it should be set down as a principle that, where there is not a well defined plan for providing a reserve for depreciation on properties and improvements or on such replacements as new pavements, by which there will be a cash fund accumulated sufficient to replace properties by the time they become worthless or obsolete, bonds should not be issued for a term longer than the life of the properties or repairs.

HOW A SINKING FUND IS ESTABLISHED

To make certain that there will be money available to pay off the bonds when they become due it is customary, and frequently made obligatory by the contract with the bondholders or by the special leg-

SINKING FUNDS AND TRUST FUNDS

islative act authorizing the issue, to raise by taxation and set aside a certain amount of money each year which will accumulate to the required amount by the time the bonds fall due. This yearly provision constitutes a sinking fund.

It is customary to turn the money over to trustees so that it may be kept separate from the current funds of the city. These trustees constitute a sinking fund commission whose business is to invest the sinking fund so that it will earn an adequate income and to see that the city's bond obligations are properly discharged at maturity.

If the annual payments to the sinking fund were not invested, it is obvious that they could be computed by dividing the total amount of bonds by the number of years they have to run. But as the sinking funds are made to earn an income, it is equally obvious that the yearly payments may be smaller by exactly the amount by which they will be augmented by interest earned.

For example, if it were desired to create a sinking fund to pay off a ten-year loan of \$100,000, the annual payments, if not invested, would have to be \$10,000. By making the fund earn interest at three per cent. throughout the period, however, the annual payments would have to be only \$8,723.05.

A SINKING FUND BALANCE SHEET

Bonds payable in yearly installments are called serial bonds. If the installments are equal for each year and begin the first year after issue, no sinking fund is required. If, however, the first installment of bonds is not paid off until some time after the second year, a sinking fund provision should be made. The yearly payment into the sinking fund should be an amount which will equalize the burden of the loan throughout the period from the time the loan is made until the last installment of bonds is paid off.

WHAT A SINKING FUND BALANCE SHEET SHOULD SHOW

The trust imposed upon the commissioners of the sinking fund is one calling for careful and judicious administration. It is very important that the annual payments or installments be accurately computed.

The two most important points to be brought out in a statement of the sinking fund, otherwise the sinking fund balance sheet, are the amount in the fund in cash and investments at a given time and the amount that **should be** in the fund at that time. With these two points of information it is easy to

SINKING FUNDS AND TRUST FUNDS

see how carefully the sinking fund commissioners are administering their trust.

For example, to use the illustration already referred to, at the end of the third year, according to actuarial or sinking fund tables (obtainable at book-dealers), there should be in the sinking fund \$26,962.08, that is, three times \$8,723.05, the annual payment already mentioned, plus interest compounded yearly at three per cent. This we call the **reserve required to retire bonded debt at maturity**. There may be more or less than this in actual cash and investments in the fund. If less, it indicates that the installments are not large enough or that the fund is earning a lower rate of interest than was contemplated at the outset. If more, the excess constitutes a free surplus which may be applied as circumstances or local conditions prompt.

FINANCIAL OFFICER SHOULD KEEP SINKING FUND ACCOUNTS

It is essential that detailed accounts relating to sinking funds be kept under the supervision of the city's chief financial officer, and not alone by the sinking fund commissioners, as the former should at all times be in a position to exercise financial con-

HOW THE ACCOUNTS ARE DEVELOPED

trol over sinking fund transactions and to report the condition of the accounts. Sinking fund commissioners may, of course, keep such additional accounts as they deem necessary or as may be required by law.

HOW THE ACCOUNTS ARE DEVELOPED

The first entry to be made in establishing sinking fund accounts on a scientific basis is analogous to the first entry for fund accounts explained in Chapter III; that is to say, an account is set up to show what provision for retiring the debt has to be made; likewise an account to represent the source of the provision is opened. Thus, we debit **sinking fund cash requirements** and credit **reserve required to retire bonded debt at maturity**.

In many cities the revenues from certain miscellaneous sources are by charter provision required to be devoted exclusively to the sinking fund. An estimate of the probable amount of revenues which will be available during the current period is made, the balance of the requirements being included in the budget. In such a case it is apparent that there are two sources from which the sinking fund requirements may be obtained.

SINKING FUNDS AND TRUST FUNDS

When the money provided by the budget is received by the sinking fund, **sinking fund cash requirements** is credited and **sinking fund cash** debited. **Sinking fund cash requirements** will be further reduced as revenues applicable to the sinking fund are collected, **sinking fund cash** being debited.

In some cities, taxes which become in arrears are required to be transferred to the sinking fund. In such a case **taxes in arrears** is debited and **reserve for taxes in arrears** credited in the sinking fund group of accounts. As collections are made, **sinking fund cash** is debited and **sinking fund cash requirements** is credited, while a reversing entry is made crediting **taxes in arrears** and debiting **reserve for taxes in arrears**. These entries are exclusive of the entries which are made in the **general account**, by which **taxes receivable** is credited and **general account surplus** is debited and by which **estimated revenues required to meet budget authorizations** is debited and **available balance** is credited.

At the end of the year, theoretically, the sinking fund requirements will have been provided, in which case the account representing them will be closed. If expectations are not realized, the deficiency represented by a debit balance in the **sinking fund cash**

HOW THE ACCOUNTS ARE DEVELOPED

requirements account will have to be taken care of the subsequent year.

At the end of the second and each subsequent year the account **reserve required to retire bonded debt at maturity** is credited with the interest increment contemplated in the original plan of amortization and **sinking fund cash requirements** is debited. Then, as interest earned by the sinking fund is collected, the latter account is credited and **sinking fund cash** is debited. If the interest actually earned is less than the amount originally contemplated, the deficit will appear in the **sinking fund cash requirements** account as a debit balance, indicating that more cash must be provided the following year. An excess of interest collected would constitute a free surplus to be disposed of as circumstances might indicate. As cash is invested in interest paying securities, **sinking fund investments** is debited and **sinking fund cash** credited. If investments are purchased at a premium, the premium so paid must be charged to a separate account, as for example, **premium on investments purchased**. This account must be amortized (reduced) each year by a charge to **sinking fund surplus**, so that by the time the investments which carried the premiums mature it will be extinguished, since the premium ac-

SINKING FUNDS AND TRUST FUNDS

count will have no value as an asset at the maturity of the investments purchased. In case investments are purchased at a discount, the above procedure is reversed.

It will be of interest to note the entries that are made in the **general account** group of accounts at the time the sinking fund installments are paid over. The installments are, of course, charged as a part of the city's annual expenses and cash is credited. At the same time **authorizations to incur liabilities** is debited and **unapplied (net cash) balance** is credited. These entries apply, of course, to the general ledger. To facilitate an understanding of the foregoing entries, they are here repeated in tabulated form.

JOURNAL ENTRIES

1 Sinking fund cash requirements

To reserve required to retire bonded debt
at maturity

Entry made when sinking fund requirements are determined, and when, at the end of the second and each subsequent year, the interest increment is added to the reserve.

2 Sinking fund cash

To sinking fund cash requirements

JOURNAL ENTRIES

Entry made when budget funds are received or miscellaneous revenues are collected.

3 Sinking fund investments (par value)

Premium on investments purchased

To sinking fund cash

Entry made when sinking fund cash is converted into investments purchased at a premium.

2a Expenses, sinking fund installments

To warrants payable (or cash)

Collateral entry to No. 2 made in the general account group of accounts.

2b Authorizations to incur liabilities

To unapplied (net cash) balance

Collateral entry to No. 2a made in the general account group of accounts.

An illustration of a typical sinking fund balance sheet will be found in Exhibit 12. It will be observed that the sinking fund assets are in excess of the amount which, on an actuarial basis, should be on hand, leaving a free surplus.

This statement is an adjunct of the capital balance sheet discussed in Chapter IV, the sinking fund net

SINKING FUNDS AND TRUST FUNDS

assets appearing in the latter as a deduction from bonded debt. The sinking fund balance sheet is also represented by a column in the **summary consolidated balance sheet** illustrated in Exhibit 14.

TRUST FUND BALANCE SHEET

There is one more group of accounts which is the subject of report in a municipal balance sheet, namely, those relating to a city's trusteeship. Almost every city is called upon to administer pension funds, intestate estates, legacies, security deposits, etc. A city has no proprietary interest in these funds and properties and for this reason they are best shown in a separate statement. Moreover, such a segregation is calculated to simplify the balance sheets showing the accounts in which a city has a proprietary interest.

A trust fund balance sheet which is typical of the average municipality will be found in Exhibit 13. This statement is also represented by a column in the **summary consolidated balance sheet** illustrated in Exhibit 14.

Cash and investments for all trusts are shown among the assets, two general ledger or controlling accounts only being required. The specific funds

EXHIBIT 12

SINKING FUND BALANCE SHEET

as at December 31, 1911

Assets		Liabilities and Reserves	
Cash.....	\$2,655.50	Reserve required to meet bonded debt at maturity.....	\$768,427.33
Investments.....	755,000.00	Free surplus.....	7,155.69
Premiums on investments purchased.....	12,927.52		
	<u>\$770,583.02</u>		<u>\$770,583.02</u>

EXHIBIT 13

TRUST FUND BALANCE SHEET

as at December 31, 1911

Assets		Liabilities and Reserves	
Cash.....	\$1,262.50	Reserve for private and public administrative trusts:	
Investments.....	44,559.79	Police pension fund.....	\$9,650.29
		Firemen's relief fund.....	7,539.50
		John R. Robinson fund.....	8,750.00
		Anna E. Brown fund.....	6,000.00
		Cemetery perpetual care fund.....	12,530.00
		Security deposits.....	1,075.00
		Unclaimed salaries and wages.....	257.50
	<u>\$45,822.29</u>		<u>\$45,822.29</u>

NOTE--The above are not statements of New Rochelle; they are used because they are more typical than New Rochelle's statements.

CITY OF NEW ROCHELLE, N. Y.

Summary Consolidated Balance Sheet as at December 31, 1910, Showing Assets, Liabilities, Estimated Revenues, Appropriations and Reserves

The purpose of this summary is to show in one statement all the elements pertaining to the city's financial condition. Judgments should be made from the several detailed balance sheets accompanying this summary.

(The only balance sheet issued by New Rochelle is the one reproduced in Exhibit 4.)

	General Account	Capital Account	Sinking Funds	Trust Funds	Total
Assets					
Cash.....	\$138,995.72	\$379,304.70	\$ 78,267.80	\$1,650.24	\$497,518.35
Accounts due the city.....	155,923.05	131,116.44	225,335.29		512,374.78
Lands, buildings, equipment, and other permanent improvements.....		2,680,213.25			2,680,213.25
Total Assets.....	\$294,218.77	\$3,090,634.48	\$303,603.09	\$1,650.24	\$3,690,106.58
Liabilities					
Audited vouchers payable.....	\$5,000.00	\$3,000.00			\$8,000.00
Certificates of indebtedness (temporary loans).....	278,000.00	250,315.02			528,315.02
Bonded debt.....		2,421,390.66			2,421,390.66
Total Liabilities.....	\$283,000.00	\$2,680,705.68			\$2,963,705.68
Excess of Assets over Liabilities.....	11,218.77	409,928.80	\$303,603.09	\$1,650.24	726,400.90
	\$294,218.77	\$3,090,634.48	\$303,603.09	\$1,650.24	\$3,690,106.58
Estimated Revenues, Appropriations, and Reserves					
Balance of estimated revenues to be included in next year's tax levy (Exhibit 5).....	\$129,156.28				\$129,156.28
Excess of assets over liabilities as above.....	11,218.77	\$409,928.80	\$303,603.09	\$1,650.24	726,400.90
Total.....	\$140,375.05	\$409,928.80	\$303,603.09	\$1,650.24	\$855,557.18
Less—Authorizations and Reserves:					
Authorizations—unencumbered balances (Exhibits 7 and 8).....	\$113,990.67	\$37,000.00			\$150,990.67
Reserve for contracts (Exhibits 7 and 8).....	2,000.00	238,255.46			239,255.46
Reserve for open market orders (Exhibits 7 and 8).....	24,384.38				24,384.38
Reserve for retirement of bonded debt (from Sinking Fund Balance Sheet*).....			\$78,267.80		78,267.80
Reserve for uncollected taxes in arrears (from Sinking Fund Balance Sheet*).....			225,335.29		225,335.29
Reserve for private and public administrative trusts (from Trust Fund Balance Sheet*).....				\$1,650.24	1,650.24
Total Authorizations and Reserves.....	\$140,375.05	\$609,225.46	\$303,603.09	\$1,650.24	\$774,853.84
Excess of Assets and Estimated Revenues over Liabilities, Authorizations, and Reserves.....		\$140,703.34			\$140,703.34

*The forms only of these statements are illustrated in Exhibits 12 and 13. The figures used in this summary are actual.

TRUST FUND BALANCE SHEET

appear on the credit side of the balance sheet as "reserves", that is, a part of the assets (cash and investments) is reserved for each fund. In this way the identity of each trust fund is maintained perpetually or until a final disposition is lawfully made of it.

In cases where the income from trust funds is, by the terms of a bequest, to be used for particular purposes or to defray specific expenses, it is necessary to open a separate income account with each trust fund. Expenses are then charged to this income account or to an intermediate expense account which is closed into the income account.

Salaries and wages which are not claimed and which are not likely to be claimed are transferred to trust funds because a city can neither pay out the money nor use it for other purposes. Besides, removing these items from the current liabilities tends toward a better understanding of the financial condition of the **general account**.

CHAPTER VI

FUNCTIONAL EXPENSE AND COST ACCOUNTS

The statement was made in Chapter I that the function of accounting is to record and analyze business transactions, and if the record when completed is to be of the greatest value, it should be built up with a view to furnishing all the information needed for official consideration of things done and the wisdom of doing them. The accounting record should supply information which will not only meet current needs but be useful for future guidance.

The necessity for accounting methods designed with these objects in view has long been recognized in private business. The need is even greater in public business. Public officers whose tenures are limited and who to be efficient must be able quickly to grasp each problem in hand cannot match the efficiency of private business if they are uninformed.

What information does the administrator need? What does the head of the street department need to know about the results of the past year's transactions

WHAT INFORMATION IS NEEDED

in order to manage his department more efficiently and economically next year? What information does the appropriating body need in order to act upon estimates of future expenditures, and to pass upon questions of financial policy? Upon the answers to these and similar questions will depend to a large extent the nature of the accounts.

It must be remembered, of course, that the answer of the head of the department to these questions is not necessarily conclusive. His needs are not the only ones to be satisfied. It usually requires the judgment of one who has studied these and similar problems from many angles to determine what information is of the greatest value in a given instance. Not only the viewpoint of the head of the department, but that of the financial officer, the mayor, the budget-making body, and the public for whose benefit the business is carried on, must be considered.

In many cases, men who are highly capable as managers of a particular business, and who are elected to office as "business" men have had no previous experience of the kind required; they have not the perspective to derive the greatest benefit from a record of past transactions. If they are successful in office it is rather because they have natural ability

FUNCTIONAL EXPENSE AND COST ACCOUNTS

instinctively to gather important facts from the past experience of men around them, thus from a partial view acting with more than usual precision on matters regarding which scientific accounts could give complete and accurate information. With proper accounts to guide them, such men would become even more efficient.

UTILITY OF PROPERLY CLASSIFIED EXPENSE ACCOUNTS

The purpose of expense accounts is to produce information regarding current expenditures which is to be regularly reported to the responsible officers of government. Scientific accounting of itself will not make administration efficient. There still may be waste, mismanagement and theft even with the facts accurately and scientifically recorded; but scientific accounting will **help** any officer who has the will and the ability to conduct his department with economy and efficiency, whereas the head of a large department who does not have such information is seriously handicapped.

The value of a correct system of expense accounting lies in making facts readily available by means of reports and in enabling officials to make compari-

PREVALENT METHODS OF CLASSIFICATION

sons which will lead to a study of the reasons for high costs if they are high,—in short to ascertain where savings may be effected, which employees have been efficient, which functions should be expanded, and which may be restricted. In other words, every administrative policy and every future act should be preceded by exact information of what has happened in the past. Particularly is a classified record of expenses invaluable in the preparation of estimates to be used as a basis for future appropriations.

SOME PREVALENT METHODS OF CLASSIFICATION

An examination of the financial reports of cities discloses the fact that there is much variation in methods of classifying expenses. In some cities the method of classification is only by objects of expenditure (salaries, wages, supplies, fuel, light, repairs, etc.), one group of accounts being used for the city as a whole. In other cities a similar classification is applied to a department as a whole even though it performs several distinct functions. Such systems are evidence that the benefits of classified expense accounts are only partially availed of.

Other cities have no expense accounting except charges to appropriation accounts. This is unsatis-

FUNCTIONAL EXPENSE AND COST ACCOUNTS

factory because the titles of the accounts do not always clearly indicate the function or activity and because there is danger of entering charges against an appropriation for the sole reason that it holds available funds and not because it represents the correct classification of the charge.

WHAT CONSTITUTES A PROPER CLASSIFICATION?

One of the fundamental principles underlying the scientific classification of expenses is that the greater the number of logical, significant divisions into which expenditures can be divided, the easier it is to understand where money spent has gone and to detect excessive expenditures meaning extravagance, waste or misappropriation.

A second fundamental principle is that detail expense accounts should be so classified and analyzed that the results may be stated in relation to each question requiring official consideration without the cost and delay of re-analysis. Generally speaking, the questions of expenditure with respect to which officers must think and act are:

- 1 Cost, by organization units
- 2 Cost, by activity

A PROPER CLASSIFICATION

- 3 Cost, by character of expenditure—such as operation, maintenance, capital outlays
- 4 Cost, by objects purchased—such as fuel, forage, clothing, etc.

If the detail accounts are so classified and analyzed as to admit of their being summarized, and reported in each of these four relations, every purpose may be served. While these elements are common to all undertakings, what the detail will be with respect to each must depend on the facts to be dealt with.

Relating these four kinds of analysis to official responsibility, all of them have to do with judgments pertaining to economy and efficiency of organization and results; the last one only is necessary to judgment with respect to economy and efficiency of contracting and purchasing.

Let us assume that a health department comprises the functions of milk inspection, food inspection, sanitary inspection, bacteriological examination and research, and general administration. Each of these functions represents a distinct administrative undertaking measurable in results. The head of the department as well as the appropriating body would naturally want to know the cost of each. They not

FUNCTIONAL EXPENSE AND COST ACCOUNTS

only would wish to know the cost of current "operation" and "maintenance" and the expenditures in the nature of "capital outlay", but as a means of determining the economy and efficiency of these expenditures they would learn the cost of each so subclassified as to show the various elements of cost, such as salaries, wages, supplies, materials, equipment, etc. These would be the elements essential to the consideration of results obtained. If, however, the efficiency of the purchasing agent were the subject of inquiry, it would then be necessary to have the purchases for the whole institution so analyzed as to show things bought and prices paid, as well as the uses to which they were put.

JOB COSTS

It is frequently the case that in order to state functional costs in sufficient detail, it is needful to gather together the various elements of the costs of repair or other jobs in order to arrive at a unit of result. In this event wages or salaries accrued are charged to a general account within the functional group. From this account they are apportioned to the various jobs according to time reports showing the exact time chargeable to each.

JOB COSTS

The other elements of job cost such as materials, superintendence and incidental expenses are also apportioned. Materials are charged to a material account within the functional group either from stores requisitions or purchase invoices, and thence apportioned to the various jobs according to work reports accompanying time reports. The same procedure obtains in the case of construction work or manufacturing processes. In the industrial world this process of gathering costs by units of result is called **cost accounting**. The purpose of these several analyses is to enable the administrator, the executive, the appropriating body, and the public to think of results in terms of standards based on experience, as collateral to cost by organization and function. Therefore, data showing comparisons with "averages", "percentages", "past periods", "unit costs", etc., should be developed. These, however, come within the field of operating statistics and reports discussed below.

IMPORTANCE OF CORRECT ALLOCATION

Although we may determine with reasonable certainty the divisions which should be made in stating expenses, we shall not have an exact record of what

FUNCTIONAL EXPENSE AND COST ACCOUNTS

has happened unless we are careful to enter expense charges as of the date they are applicable. Judging from published reports few cities seem to appreciate the importance of this practice. They enter charges as of the dates cash is paid out, notwithstanding they were applicable to the month or perhaps the year previous to such dates.

This practice is sometimes defended on the ground that the amounts overlapping at the end of the year will balance similar amounts at the beginning of the year. Obviously this is unscientific, but granting that in many instances the yearly totals will not vary materially, there are many instances in which conditions affecting payments at the end of the year differ widely from those at the beginning of the year. The only way to be right is to employ right methods.

Moreover yearly reports are no longer found to be sufficient. Efficient administration requires reports at least as frequently as once a month. Therefore, unless charges are entered according to the month in which they apply, there is never any certainty that there is a correct basis for administrative judgment or for comparison with other periods.

The importance of correctly allocating revenues and expenses was fully discussed in Chapter I.

NECESSITY FOR PROVING ACCOUNTS

DISTRIBUTION OF SUPPLIES

Another practice which is calculated to interfere with the ascertainment of correct statements of expense is that of buying supplies in quantities sufficient for more than a month and charging them direct to specific expense accounts. It is more economical, of course, to buy supplies and materials in large quantities, and this should be done whenever possible. In this event, however, they should be charged to a **stores account**. As supplies are required for consumption they should be obtained from stores on requisition, such requisition to cover not more than a month's needs. These requisitions may then be embodied in a report made at the end of the month by the person in charge of the stores. Charges to expense accounts may be made either from this report or from the individual requisitions. This subject is treated at greater length in Chapter IX.

NECESSITY FOR PROVING ACCOUNTS

It is highly important that there be means for determining currently the correctness of expense accounts; otherwise errors which may seriously affect administrative and financial judgment are certain to creep in. This may be done by (1) charging all

FUNCTIONAL EXPENSE AND COST ACCOUNTS

items of expense to a single controlling account in the general ledger through the medium of a column in an invoice or voucher register in which transactions are entered chronologically, (2) posting the monthly total of the column to the ledger, then (3) posting the items to a subsidiary record containing the detailed accounts.

This subsidiary record may be designed on the columnar principle, by which a number of accounts may be kept on one page, one to each column, or the unit or block principle by which a separate page or section of page is used for each account. Under the first method the division or function is entered at the top of the page; the date, number, brief description and total amount of the item or charge are entered at the left, and the amount or amounts extended on the same line into columns headed with the detailed accounts.

By the second method the date, number, brief description and amount of the item are entered in a separate block which contains the detailed account, the divisions or functions being indicated by marginal thumb tabs. At the end of the month, a schedule of the balances or trial balance of the subsidiary record must agree with the balance of the controlling account previously mentioned.

PHYSICAL RECORDS AND UNIT COSTS

It must not be inferred that the keeping of many expense accounts, as is here advocated, necessarily involves additional labor, once the headings of the accounts are written. It entails practically no more work to post a charge to a detailed account than to a general account. On the other hand the labor saved at the end of a period by not having to analyze or reclassify expenses is often considerable.

PHYSICAL RECORDS AND UNIT COSTS

The story of what government costs is not fully told when a report of expenses by functions is made. The officer and the public can think more clearly in terms of the cost of specific **units** of service. What it costs to keep pavements in repair is best answered by the cost of repairs per square yard. Waste can be more quickly located when unit costs are known. To ascertain unit costs it is necessary to keep physical records, that is, records of the physical things done or service rendered. The answer then as to whether administration has been efficient or inefficient is found in contrasting cost with service results and judging the accomplishment by the best standards obtainable.

How can a city tell whether its expenditure for

FUNCTIONAL EXPENSE AND COST ACCOUNTS

a given public service performed is more or less than it should be? One way suggested is to compare its expenditure with that of other cities. A still better method is to enable each officer to work against his own past record of efficiency. But, obviously, a comparison cannot be made without taking into consideration the results, expressed in terms of quantity. This necessitates reducing costs to a comparable basis, which is done by dividing the total cost by the number of work units and finding the cost per unit or unit cost. For example, the total amount spent for direct labor, material and superintendence in laying 100,000 square yards of stone block pavement is found by a carefully kept record to be \$189,675. By dividing this amount by 100,000 we find that the cost per square yard is \$1.89. If we found that it was costing \$1.69 in another city or that it cost us only \$1.79 in a previous period, we would immediately begin to look for the reason for the difference. It may be that in the other city the lower cost is accounted for by cheaper labor or cheaper material or both. Possibly in a previous period material was cheaper. At all events the spirit of competition and emulation is introduced and there is a constant incentive to do things economically.

SEGREGATED EXPENSE ACCOUNTS

Not many cities have done much in the way of providing reports of units of performances, otherwise physical records. It is probably not easy in every instance to reduce work to a unit basis; nevertheless it can be done in the case of the majority of municipal activities, and it should be the aim of department managers to discover ways of reducing all activities to a unit basis, in order to be able to set up standards of efficiency.

An illustration of this method of having official attention directed toward those results which should excite immediate inquiry is shown in Exhibits 25-28. The Reclamation Service of the national government has not only worked out an elaborate system of "expenditure" accounts and "cost" accounts, but the reports made monthly, quarterly, and annually carry definite **unit** costs, as a means for judgment with respect to economy or efficiency in terms of **standards**, based on past experience.

SEGREGATED EXPENSE ACCOUNTS ILLUSTRATED

A good illustration of the utility of segregating expenditures is to be found in the system of expense accounts of Bellevue and Allied Hospitals, a department of New York City. The institution comprises

FUNCTIONAL EXPENSE AND COST ACCOUNTS

four hospitals, four dispensaries, and a central business office.

The main divisions of expenditures with the approximate cost for one month are as follows:

General administration (covering all hospitals)	\$3,727.02
---	------------

The following classification is used for each hospital; the amounts given are the figures of one hospital and are added merely for illustrative purpose:

Administration	\$3,501.47
Professional care of patients..	22,347.61
Department expenses	22,958.11
General house and property expenses	11,394.84
Out-patients' department	2,260.91

Each of these main divisions has its subdivisions; for example **professional care of patients** is subdivided into:

Admitting office	\$1,423.13
Wards	19,891.21
Pharmacy	372.18
X-ray laboratory	661.09

\$22,347.61

SEGREGATED EXPENSE ACCOUNTS

Under each of these subdivisions are shown the elements of cost; for example under **X-ray laboratory** is shown the cost of:

Salaries and wages	\$255.49
Supplies	338.43
Apparatus	
Miscellaneous repairs	
Furniture and fittings	67.17
	<hr/>
	\$661.09

Such items as **supplies, apparatus, furniture and fittings** are again subdivided in such manner as to show the classes. For example, supplies may be subdivided to show stationery and office supplies, provisions, wearing apparel, laundry supplies, etc., and each of these may be so subdivided that the accounting office is able to show, if a report is desired, under **laundry supplies**, for example, the quantity, the quality, and the price of each kind of soap, starch, or other thing received for use each day in the month and each month in the year, so that the laundry could get the "soap cost", or the house-keeper could get the "toilet paper cost" or the sewing room could get the "needle cost" of operation.

FUNCTIONAL EXPENSE AND COST ACCOUNTS

This general classification is one which has been agreed upon and adopted by a number of hospitals of New York City and elsewhere. The sub-classification is obtained without additional expense by having the stores report and its supporting analyses of daily requisitions furnish all the details with only one detail entry for each transaction—the smallest labor cost possible if any records at all are to be kept. By means of this, it is possible to ascertain the cost per patient per day, in other words a per capita cost, for each main division and for each subdivision of expenses. For example, if the total days of treatment for the month is 30,000 this would be the divisor to apply to each of the above amounts to ascertain the per capita rate. Thus, the cost of professional care of patients, \$22,347.61, divided by 30,000 gives 74c as the cost per patient day. Similarly the per patient day rate for each subdivision of cost may be ascertained. In the case of the X-ray laboratory it is possible to ascertain a per capita cost on the basis of the number of patients using such service.

By means of a per patient day rate a comparison of cost can readily be made with other hospitals which have adopted the classification. Under such circumstances efficiency in administration becomes

SEGREGATED EXPENSE ACCOUNTS

practically automatic, since no administrator would care to press his claim for financial support in the face of a comparison of costs which is unfavorable to him.

CHAPTER VII

COLLECTING AND CONTROLLING REVENUES

How can citizens be sure that all the revenue which a city is entitled to receive has been collected? What should the central finance officer know about the revenues of the city? How can this phase of a city's business be controlled with the same precision which obtains in efficient private business?

Under a proper system of administrative procedure and control of the revenues of a city there should be competent evidence as to the facts of every transaction resulting in the accrual of revenue. This evidence should be of such character and availability that every collection of cash may be audited within a day after collection with a view to determining that the cash actually turned in is the amount collected and that the amount collected is the amount to which the city is entitled. To do this the evidence should be complete both as to the revenue that should accrue and as to the amount still unpaid.

Revenues can be controlled with greater certainty

CONTROL OF REVENUES

than expenditures for the simple reason that the city is in a position to control all the evidence in each transaction. Notwithstanding this fact the revenue accounts of cities are usually not under accounting control. Water revenues are permitted to cumulate; licenses, fees, permits, privileges, rents and other miscellaneous revenues are accrued with little attention given to the accounts.

In the case of expenditures the best evidence of a transaction is in the possession of the person making the claim; the vendor knows best whether he delivered the goods and the claimant for services knows best whether he rendered the services; each knows whether his charges are reasonable or excessive. The burden of determining the facts rests upon the city.

In the case of revenues, however, the city is in a position to fix not only the rate in every transaction but every condition relating to the transaction; also, by controlling the financial stationery used in revenue transactions, the city may hold its collecting agents to strict accountability for the correctness of transactions and the prompt report of all moneys received.

Although property taxes are the chief source of revenue of cities and proper control of their collection is therefore of primary importance, we shall

COLLECTING AND CONTROLLING REVENUES

first describe a means of controlling miscellaneous revenues. We shall then show how the same principles may be applied in controlling the collection of taxes.

CONTROLLING THE FORMS OF STATIONERY

The first step in establishing control over the accuracy and completeness of accruals of miscellaneous revenues is for the chief financial officer to provide each collecting agent with the forms of documents used in issuing licenses, permits, receipts, etc. These forms, which are called financial stationery, should be printed, lithographed, or engraved in such a manner as to make imitation difficult, and should be kept under lock and key in the custody of a bonded clerk. The blank documents should be numbered by machine, and a record should be made of the number of each kind of form given to each collecting agent so that he may be held to strict account for every document issued to him.

The books containing the documents used for issuing licenses, permits, etc., as contra-distinguished from documents in the form of tickets, are interleaved with skeleton forms which show the principal facts of the original documents. These forms, which

CONTROLLING THE FORMS OF STATIONERY

are called **counterfoils**, are filled in by means of carbon sheets at the time the documents are prepared. They are used as supporting documents of the reports of money collected, transmitted to the chief financial officer.

The collecting agent cannot conveniently or without danger of detection issue a license, permit or other document for money received without using one of these numbered forms. Consequently he must account in money for each document issued. Where the amount or charge is fixed and is therefore printed in the document, no question can arise as to the amount the agent should return, because he is charged with a certain number of forms of each denomination. This is the case with certain forms of licenses, tickets for tolls, market privileges, etc.

Where the amount varies and has to be written in each document, as in the case of certain licenses, permits and other forms of privileges, it may be controlled by means of a graduated coupon on the right-hand side of the document, the amount being "cut" by tearing the document from the counterfoil with an angle-rule cutter, the highest amount remaining on the document being the amount received. The recipient of the document naturally looks at the high-

COLLECTING AND CONTROLLING REVENUES

est amount cut and he will not pay more than that amount.

The cutting is done by folding over the original from right to left, the stub of the counterfoil only being bound in the book at the left. An indentation, the counterpart of that on the original document, remains on the counterfoil (on the under side). This counterfoil, being the same day transmitted to the chief financial officer, places in his hands unmistakable evidence by which to audit the amount of cash collected. The collecting agent will not falsify the indentation on the counterfoil, since the only change he could possibly make in it would increase the amount for which he would have to account.

The date of expiration may also be fixed in this manner, and where the expiration date and amount both vary a double graduated coupon may be used, one section for amount, and one section for date.

This method is the same in principle as that used by express companies and the post office department in the issuance of money orders.

REPORTS TO FINANCIAL OFFICER

The counterfoils are transmitted daily to the chief financial officer with a detailed report of money col-

DAILY REPORT TO COMPTROLLER OF MONEY COLLECTED

Department or office.....Date.....19.....No.....

[illegible]

I hereby testify that the above is a correct statement of documents issued and cash collected since my last report

Collector

TREASURER'S REPORTS

lected duly certified by the collecting agent. This report (Exhibit 15) shows the amount of each class of revenue with the beginning and ending document numbers in each class, and the main divisions of funds to which the moneys, according to charter or ordinance, are to be credited. In the case of ticket transactions a coupon is detached from the ticket and this coupon is returned to the chief financial officer with the daily report in lieu of a counterfoil.

TREASURER'S REPORTS

The money is transmitted to the treasurer by the collecting agent, or else deposited in a bank to the treasurer's credit. At the same time a detailed report of collections duly certified by the collecting agent, called a **receipt voucher**, is sent to the treasurer; and when the money is deposited in a bank by the collecting agent for the treasurer, the receipt of the bank teller is taken on this report before it is sent to the treasurer. This receipt voucher (Exhibit 16) is then receipted by the treasurer and by him transmitted to the chief financial officer.

The latter uses this receipt voucher as a basis for charging **treasurer's cash account** and crediting **accounts receivable**, while the report transmitted di-

COLLECTING AND CONTROLLING REVENUES

rect to the financial officer by the collecting agent, with which it must agree, is the basis for debiting **accounts receivable** and crediting **revenue**. The totals used for these entries are obtained by entering the daily reports in accrual registers, as will be hereinafter explained.

HOW THE RECEIPTS ARE AUDITED

The checking of these counterfoils with the collecting agent's report, and the comparison of this report with the treasurer's receipt voucher, constitute the **audit** of receipts. When this procedure is properly administered, and when it is followed up, as it should be by occasional physical inspection of the collecting agent's office and of the issued documents in the possession of the public, the danger of loss to the city, either from unintentional errors or fraud on the part of its collecting agents, is practically negligible.

CONTROL OF COLLECTION OF TAXES

Let us now see whether a similar method of control can be applied in the collection of the largest item of revenue of cities, namely, general taxes. For this purpose we shall briefly describe the principles of a

EXHIBIT 10

DAILY REPORT TO TREASURER OF MONEY COLLECTED

RECEIPT
VOUCHER

Department or Office Date 19.... No.....

Class of Receipt	Total	FUNDS TO BE CREDITED						Comptroller's Office	
								Entered	
Licenses								Cash Book	
Permits								Rev. Rec. Ledger	
Privileges									
Court Fees									
Court Fines									
Sales									
Refunds									
Franchises									
Rents									
Interest									

Certificate of Collector

I hereby certify that the amount of collections made by me or under my jurisdiction on 19.....
 for account of the city of as per detailed report No.....
 rendered the comptroller is dollars
 \$.....
 Depository Receipt

Teller

Collector

Treasurer's Receipt

Received of 19.....
 dollars as per above certificate
 \$.....
 Treasurer

CONTROL OF COLLECTION OF TAXES

system which has been in successful operation in New York City for the past two years. It may be stated that in devising this system the experience of Boston in pre-billing, of Philadelphia in providing triplicate rolls (one for the assessors, one for the comptroller, and one for the collector), was combined with the experience of life insurance companies, savings banks and mercantile houses in their use of mechanical billing and scheduling machines with automatic totalizers and tabulating attachments. Since its adoption in New York this system has also been adopted in Buffalo, N. Y., for the collection of county taxes, and is now being considered for adoption in Philadelphia, the first application to be made to the Water Bureau.

When tax rolls have been completed and before taxes are payable, tax bills in triplicate (Exhibit 17), covering each item thereon, are prepared by means of carbon process and held in readiness for collection. One copy is called a **memorandum bill**, and is delivered or mailed in advance to the taxpayer provided he requests it; one copy becomes the **receipted bill** when the amount has been collected; the third copy, called the **counterfoil**, is to be turned in to the financial officer at the time the tax is collected.

These bill forms are so designed that the details

COLLECTING AND CONTROLLING REVENUES

of the charge can be entered on one line across the bill from left to right. They are prepared on a flat writing machine with adding attachment. By placing a schedule in the machine a copy of the written matter on the bill can be made on this schedule by means of a carbon sheet, successive bills being represented on successive lines of the schedule. When all the bills have been written they are checked with the original tax rolls, to which the totals of the schedules of bills are also proved. The original tax rolls are placed in the hands of the collector of taxes; the schedules or copies of tax rolls with the tax bills are retained by the chief financial officer, who places the latter under lock and key, the same as financial stationery.

THE AUDIT OF TAX COLLECTIONS

When the time for collecting taxes arrives, the chief financial officer turns over the tax bills to the collector, charging him therewith as he would other financial stationery.

At the end of each day the collector makes a report of the day's collections to the financial officer accompanied by the counterfoils or copies of tax bills previously written. With this information the financial officer audits the receipts as to amount, interest

EXHIBIT 17

THE CITY OF NEW YORK—DEPARTMENT OF FINANCE

TAX LEVY OF

BOROUGH OF MANHATTAN

1911

RECEIPTED BILL

FOR

Rate, 1.72348 per centum.

REAL ESTATE TAXES—LEVY OF 1911

And Arrears of Water Rents (1910) or Meter Settings in the Amount stated below, and
on Property as described, said Liens being received in the Tax Books as indexed

SECTION	VOL.	BLOCK No.	LOT No.	LINE No. CHANGES EACH YEAR	LOCATION	AS-SESSED VALUATION	AMOUNT OF TAX	UNPAID WATER RENT AND METER SETTING FROM WATER REGISTER		NOTICE OF ARREARS
								Water Rent, 1910	Meter Setting, 1910	
REGISTERED										
BOOK No.		FOLIO		INTEREST ON TAX.....						
TOTAL								TOTAL AMOUNT PAID		
NAME OF PAYER								RECEIVED PAYMENT.....1911		
ADDRESS								STAMP OF CARRIER		

NOTE: Three copies are printed on one sheet separated by perforated lines. The duplicating is done by means of a coating of carbon on the reverse side of the bill the width of the written matter instead of loose carbon sheets. The actual size of the bills is somewhat larger than the above.

AUDIT OF TAX COLLECTIONS

additions, etc., and compares the total with the report made by the collector to the treasurer, the latter having meanwhile transmitted his report to the financial officer.

By means of a date stamp the financial officer indicates in the schedule of tax bills each day the amounts that are paid. It will be seen that the open or unpaid items on his schedules or duplicate tax rolls must be represented by original bills in the possession of the collector.

Once a month an inspection of the collector's bill files is made to ascertain that there is a bill on hand for every open item. If the collector or one of his subordinates attempted to substitute a form of receipt for the official receipted bill in order to evade responsibility for accounting for the money collected and at the same time to be able to account for all the bills charged to him, he would immediately expose himself to the danger of detection either by those who may be working with him or by the public. This risk of detection would be so great that few persons would care to take it.

GENERAL LEDGER CONTROL

Proper record and accounting control of revenues and receipts is secured by means of accrual regis-

COLLECTING AND CONTROLLING REVENUES

ters in the office of the chief financial officer. In these registers are entered each day the amounts of the several kinds of revenue shown by the daily reports from the collecting agents to the financial officer. The totals of these registers form the basis for charging accounts receivable and crediting the various revenue accounts in the general ledger. These totals may be transferred to the general ledger daily, weekly or monthly as seems most desirable.

In the case of general taxes, the basis for the charge to the controlling account is the original tax roll. This account is credited at stated periods with the collections as entered in the cash book. The balance of the controlling account for taxes will at all times represent the total of open items on the schedules in the financial officer's hands as well as the total of the open items on the tax rolls in the collector's hands. Trial balances of both of these subsidiary records should be taken off at least once a month and agreed with the general ledger controlling account.

MONTHLY REPORTS FROM COLLECTING AGENTS

Collecting agents once a month are required to submit to the chief financial officer a certified report

REPORTS FROM COLLECTING AGENTS

containing an accounting of the financial stationery used during the month and the amount of each class of revenue represented by the documents issued.

This report is used by the financial officer to check against the monthly totals of the accrual registers and, through the financial stationery clerk, to see that proper account has been made of financial stationery charged to the collecting agent.

Briefly, the monthly report shows for each class of document, the

number of documents on hand at beginning of
month

number received during the month

number used for issuing duplicates

number spoiled

number issued during month

number on hand at end of month

last number issued

name and total amount of each kind of docu-
ment

fund accounts to be credited.

In New York City where on account of the large number of transactions the documents are issued by one clerk and the cash is received by another, the cashier is also obliged to render a monthly report to

COLLECTING AND CONTROLLING REVENUES

the comptroller of cash collected, which is used by the comptroller to check against his cash book entries for the month. The difference between the two reports is the revenue accrued, the cash for which has not yet been transmitted to the treasurer,—usually one day's receipts.

CHAPTER VIII

CONTROLLING AND RECORDING EXPENDITURES

As in the control of municipal revenues the factor of preëminent importance in controlling and auditing the expenditures of a city is evidence. Evidence which will locate responsibility for each step taken can be obtained only when a definite procedure fixing the standards thereof and the business methods to be employed is prescribed for the guidance of officers and employees in incurring liabilities and auditing expenditures. Absence of a definite procedure and defects in business methods have caused cities to suffer greatly not only in direct financial loss but through injury to municipal credit as well.

STEPS NECESSARY FOR LOCATING RESPONSIBILITY

A proper system of control over expenditures should provide a definite procedure

1 For the issuance of contracts and open market orders expressed in terms so definite that no question

CONTROL OF EXPENDITURES

can arise as to the quality and quantity of goods which are to be delivered or as to services to be rendered.

2 For receiving and accepting goods and checking and approving invoices and for certifying on orders and invoices as to the quality and quantity of goods received. This will impose upon persons charged with these duties the responsibility for seeing that they certify only to facts of which they have personal knowledge, a procedure which will place in the hands of the city evidence which will enable it to hold its employees legally responsible for false certifications resulting in payments for short deliveries or inferior quality of goods and services.

3 For the preparation of claims for payment by assembling all the evidence pertaining to each claim, such as copy of the original order, the original invoice, etc., properly certified by persons having knowledge of the facts.

4 For the audit of claims by the chief financial officer which shall include an **independent inspection** of goods received or services rendered for the purpose of verifying the truth or falsity of certificates attached as provided in (2), the person making such inspection being held responsible under the law of false certification for the truth or falsity of his re-

LOCATING RESPONSIBILITY

turns by being required to make written reports of his inspection duly certified.

5 For the installation of devices which when properly administered will regularly and automatically bring to the attention of the chief financial officer knowledge of all delays by departmental employees in the certifying and vouchering of invoices for goods received and services rendered, this to be accomplished by securing a controlling record of all invoices rendered, either by having invoices received at first hand by the chief financial officer or by having invoices registered by departments as soon as received and by having a copy of this registration immediately sent to the chief financial officer.

6 For the installation of devices which when properly administered will bring to the attention of the chief financial officer all delays in the audit and payment of claims.

THE STARTING POINT IN INCURRING EXPENDITURES

Every expenditure except expenditures for personal services should have its origin in a need expressed in writing. This expression of need constitutes a **requisition** which is the basis for disposing of goods already in stock or for issuing an order or

CONTROL OF EXPENDITURES

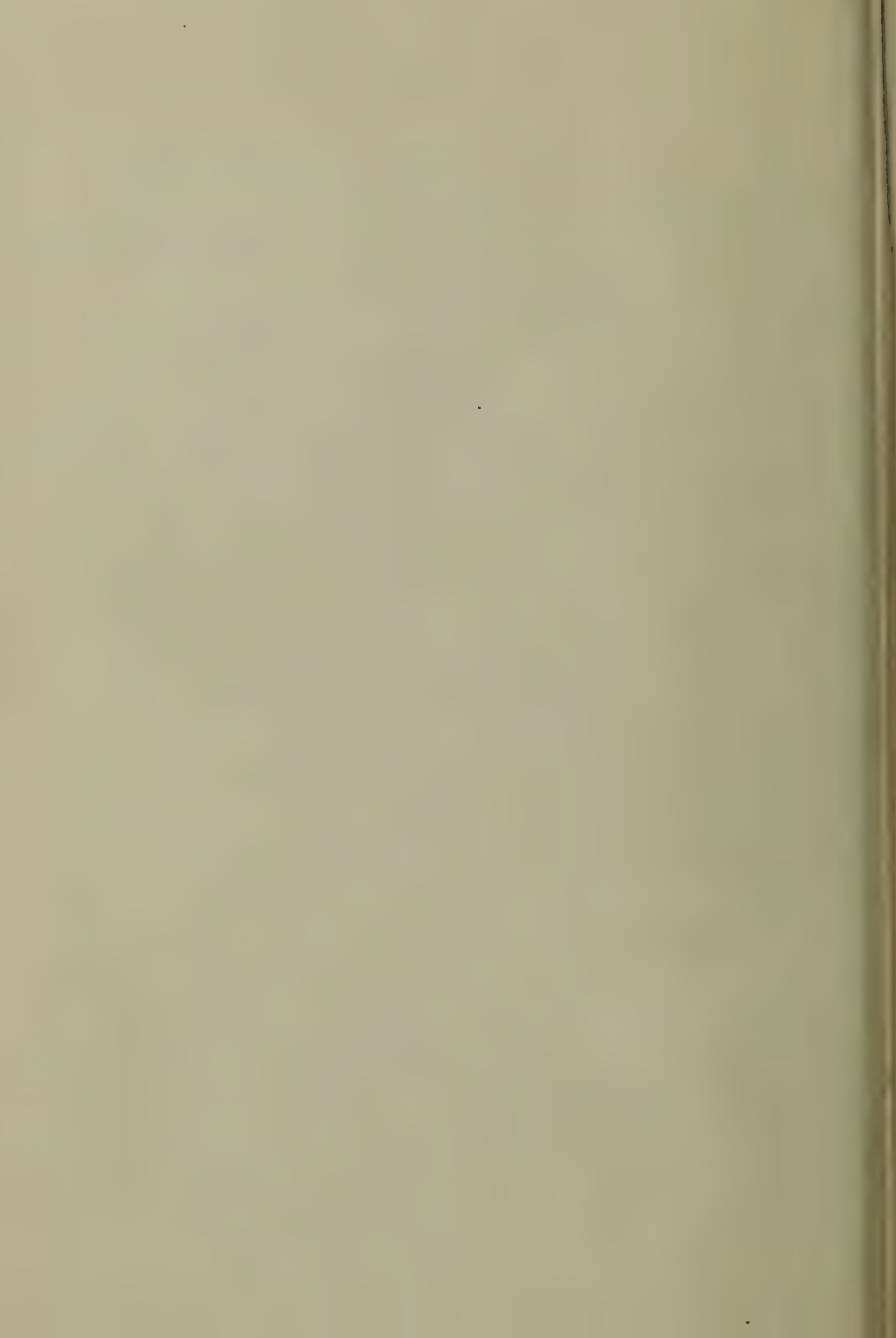
making a contract for the purchase of things required.

This requisition, which may be for things for immediate use or for stores supplies, should bear a certificate by the person making it to the effect that the things are necessary and, where the law requires such a statement, that they are to be used solely for the benefit of the city; if the person who makes the requisition is not sufficiently responsible, the certificate should be signed or approved by a person who bears a supervisory relation to him. If the things requisitioned are in store, the requisition becomes a receipt or voucher which the person in charge of stores files as evidence that he has rendered proper account of stores in his custody.

A form of requisition is illustrated in Exhibit 18.

THE ISSUANCE OF ORDERS AND CONTRACTS

A written requisition provides a definite basis for making a contract or issuing an order. Orders should in every case be in writing and a printed form is preferable. They should be certified by the person authorized to issue orders and such other persons as have first hand knowledge of the facts which are to be certified to and approved by the person who by



ISSUANCE OF ORDERS AND CONTRACTS

law or ordinance is responsible therefor, as to the following:

1 That a certificate of necessity (requisition) was placed on file before the expenditure was incurred, if this be the fact.

2 That there is an appropriation to meet the estimated amount.

Ordinarily these certificates would be made by one or more clerks as information to the person who is responsible for approving the order.

The order form should contain a further certificate to be signed when the goods or work are received by a person having knowledge of the facts to the effect that they have been received and that the quantity and quality have been verified.

Orders should be prepared in multiple copies so that there may be at least

two copies for the vendor,
one copy for the receiver of goods,
one copy for the files.

In large organizations it is often desirable to have additional copies.

The vendor should be required to return the original order when goods are delivered since it is upon this copy that the receiver certifies as to delivery,

CONTROL OF EXPENDITURES

quality and quantity of goods or services as previously mentioned. If difficulty is found in getting the vendor to return the original order it may be retained, one copy only being sent to him which he keeps.

A form of order is illustrated in Exhibit 19.

INVOICES AND CERTIFICATION OF VOUCHERS

The vendor should also be required to deliver invoices with the goods (as many as four copies if necessary). Much of the delay in passing invoices for payment has been due to the failure of the vendor to render invoices promptly. One of these invoices may be sent to the chief financial officer as an advice that there are goods to be inspected, so that he may have the opportunity of inspecting them.

As soon as goods have been accepted and the prices and calculations of invoices have been verified a voucher should be prepared to which is attached the original order fully certified and the invoice. This voucher should be certified as to the following facts:

- 1 That the order or invoice attached bears a proper certificate of the person who was responsible for receiving goods or inspecting work or services—in case such a certificate is required.

AUDITOR'S RECORD
INSPECTOR'S APPROVAL OF GOODS OR SERVICES ORDERED
PURCHASING DEPARTMENT, CITY OF CINCINNATI

Ordered from

Who will furnish and deliver the following directly to

For account of Fund.

TO INSPECTOR:

Shipping Tag or Delivery Memo. must contain Number of this Order and must accompany each Delivery. Check Goods Received or
and services Rendered with this Order, and when entire Order is filled, sign certificate at bottom as to Quantity, Quality and Condition,
and address Order at once to the Purchasing Office, City Hall.

THIS MEMORANDUM IS TO BE FORWARDED BY THE PURCHASING OFFICE WITH INVOICE AND VOUCHER TO THE AUDITOR

[illegible]

I HEREBY CERTIFY upon my own personal knowledge that this order is authorized by a properly executed and approved requisition on file in this office to which is attached a certificate that the articles or services are necessary.

Purchasing Agent.

I hereby certify that the cost of the above work or supplies is fully covered by unencumbered balances in the above funds, and that the expenditure therefor has been duly authorized and appropriated.

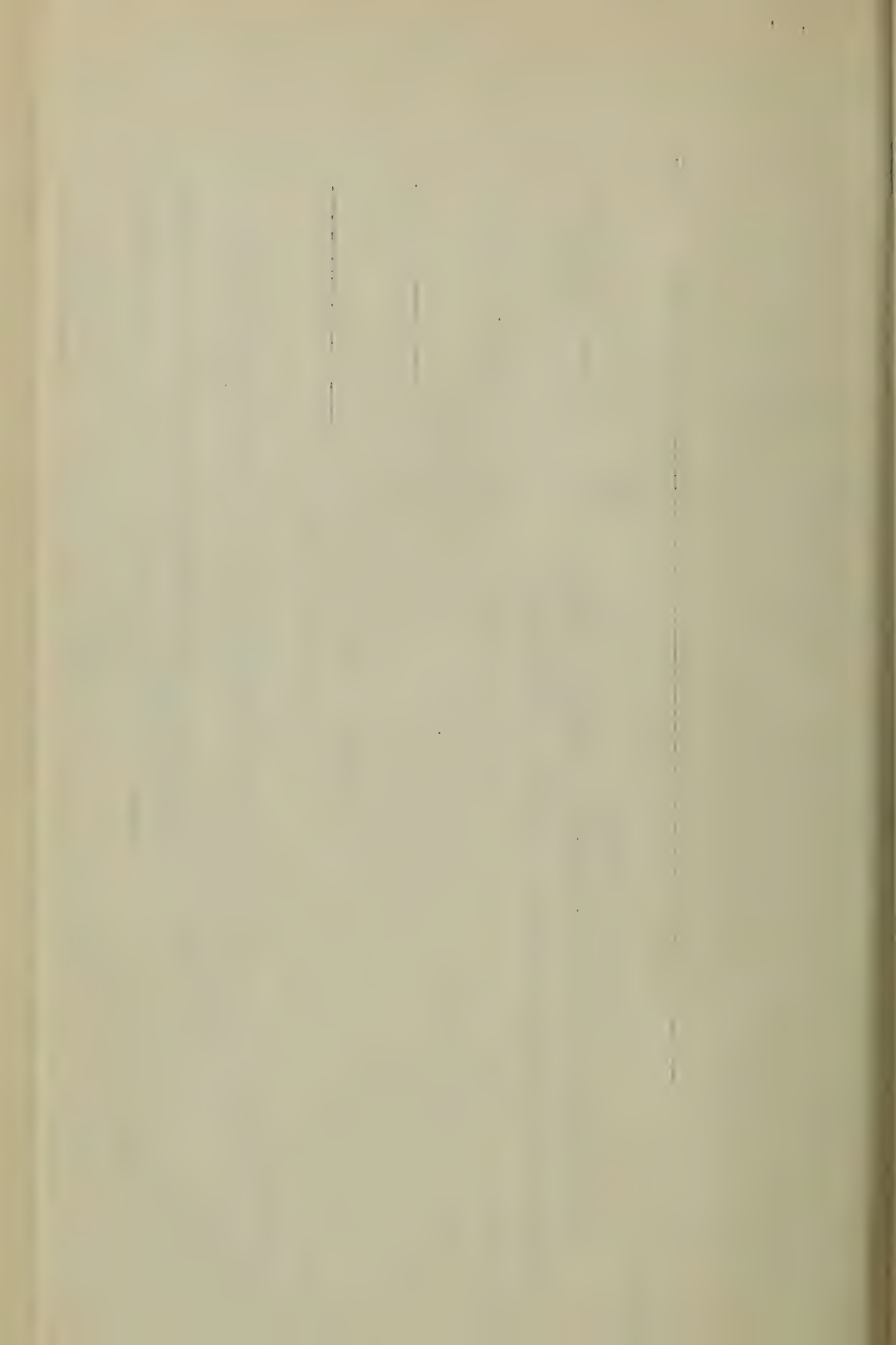
City Auditor.

I hereby certify that the articles or services above specified have been received in good condition or properly performed, and that the quantity and quality thereof have been verified with the exceptions noted on the margin.

Inspector.

TO BE SIGNED BY INSPECTOR BY WHOM GOODS WERE INSPECTED AND RETURNED AT ONCE TO PUR-
CHASING OFFICE

NOTE:—This is the form of order used by Cincinnati. It is prepared in quadruplicate, one copy for vendor, one copy for the city auditor, one copy for requisitioner and one copy for the office record.



CERTIFICATION OF VOUCHERS

2 That the goods or work are in accordance with contract terms in case there is a contract.

3 That when the order or contract was issued there was a balance of appropriated funds sufficient to meet the estimated amount thereof.

4 That there is now an appropriation sufficient to meet the amount of the voucher.

5 That the claim has not previously been presented for payment to the chief financial officer.

6 That all computations have been verified.

These points should be certified to only by persons having actual knowledge of the facts. When this rule is in force and is clearly understood the persons who signed the certificates cannot, in case a question arises as to the propriety of the claim after it has been paid, make the plea that they did so as a matter of perfunctory routine. The head of the department should certify only to the genuineness of signatures and approve the voucher upon the information contained in the certificates. With such a voucher and its supporting documents and with the independent reports of the chief financial officer's inspectors, he is in a position intelligently to audit and certify the claim for payment and fully protect the city's interests.

CONTROL OF EXPENDITURES

It may be thought that the attaching of certificates by persons "who know" will require added time. This is not true. By any procedure those who have personal knowledge should visé the invoice and, as evidence or information to the approving officer, should initial it. By having a stamp or printed form, the initial under the certificate simply fixes responsibility—it makes definite and specific the facts to which each one certifies. Nor need there be a special form, since the certificate may be placed on the back of a regular tradesman's bill. The serious consideration is that it is just as important to have "goods received" carefully checked and verified as it is to have "cash received" or "cash paid out". Neglect of this costs our cities many times more than the malfeasance related to the treasury.

The charters of some of the smaller cities prescribe that claims be listed on a schedule and periodically presented to the council for approval. As such a procedure quickly degenerates into a perfunctory audit it should not be regarded as rendering unnecessary the verification of claims as above described.

Contracts should be let in accordance with the law or ordinance relating thereto and should be certified as to sufficiency of appropriated funds and approved by the responsible officers. Claims on account

ORDERS AND CONTRACTS

of contracts should be prepared and supported with evidence similar to that used in open market transactions. The chief financial officer should have an original copy of the contract and should audit the voucher by reference to it.

ACCOUNTING CONTROL MUST BEGIN WITH ORDERS AND CONTRACTS

Having thus shown how a definite, systematic business procedure may be established for locating at every step responsibility for the integrity of expenditures, we shall show how these transactions should be recorded and how accounting control over them may be effected.

It is obvious that the moment an order is issued or a contract is let the appropriation or fund authorizing the expenditure has been encumbered. That is, since the appropriation limits the power of the officer to spend, any order issued or contract let must be regarded as reducing the amount available for any other purpose than meeting this particular liability of the city which will be fixed and certain when the goods are delivered or the services are rendered.

The only way these encumbrances can be kept before the officer is to have each order and contract as

CONTROL OF EXPENDITURES

and when authorized registered against the appropriation so that a sufficient amount of the appropriation may be reserved to meet the liability when it becomes actual and payable. These are entered under contract reserve or order reserve in the appropriation or fund ledger (Exhibit 20).

It is true that deliveries have to be made on the order or contract and accepted before the liability becomes unconditional; for this reason the amount is not entered in the liability accounts, but is considered only as an encumbrance which constitutes a charge against an appropriation or fund. Upon delivery only is the liability account created, and both the fund reserve and the liability are reduced or liquidated by the voucher.

To enable the bookkeeper to make the entries encumbering appropriations, orders when issued should have noted on them the estimated cost. The exact cost can be ascertained in many cases and in all other cases an estimate which will be near enough can be made. Contracts for a fixed amount should be entered as encumbrances for such amount. Contracts which provide for an additional percentage over the stated amount should be estimated and charged at the highest figure until completed or adjusted. Unit price contracts do not constitute encumbrances at all,

APPROPRIATION OR FUND LEDGER

SHEET No

ORIGINAL APPROPRIATION AND TRANSFERS

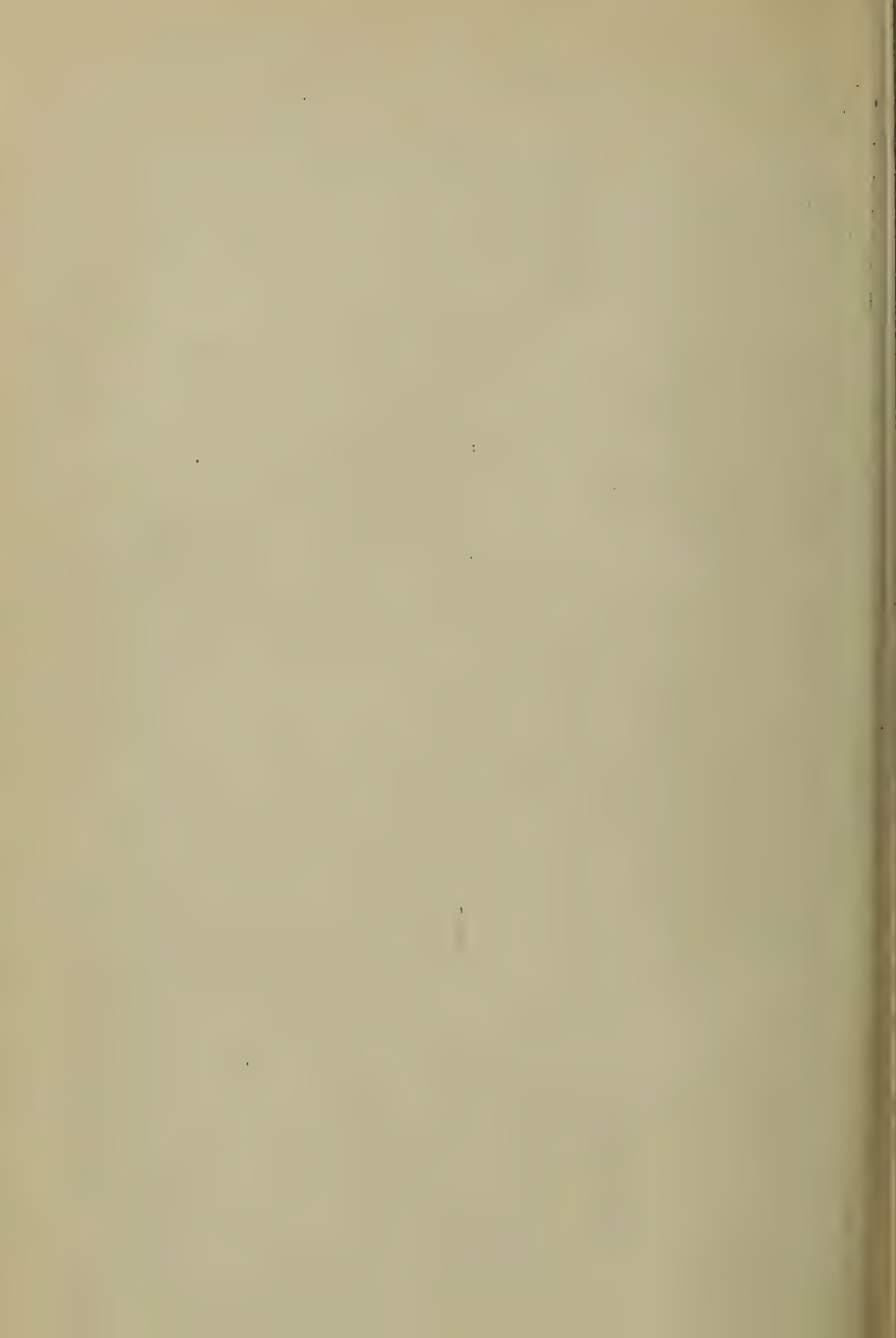
Title of Appropriation

Code No.

[illegible]

*Additions in black, deductions in red.

This form, which is somewhat reduced in size, is best adapted to a loose leaf book and may be printed on one or both sides. The voucher liquidating an order or contract need not be entered on the same line as the entry in the reserve column.



ORDERS AND CONTRACTS

the orders issued on account of them being the basis for encumbering appropriations.

Orders and contracts should be numbered and registered chronologically, separate records being maintained for each. The amounts should then be immediately transferred to the appropriation fund accounts as charges or encumbrances, separate columns being used for contracts and orders in the books containing these accounts. Here these charges rest as amounts reserved from the appropriations until goods have been delivered or work has been performed and vouchers have been prepared for payment.

Vouchers having been prepared, they are numbered and registered in a voucher register, and the amounts also transferred to the fund appropriation accounts, but in a separate column from the order or contract charges. It frequently happens that the bill is for more or less than the estimated amount of the order or that the last payment on a contract makes the total payments exceed or fall short of the estimated total of the contract. To provide for this variation there are columns alongside of the voucher column in the appropriation accounts for entering and adjusting this excess or decrease.

The charges in the voucher column, plus or minus the adjustments, operate to counteract or clear the

CONTROL OF EXPENDITURES

related charges in the order and contract columns, and therefore the **contingent liability** against a particular appropriation is the difference between the total of all order and contract charges entered and the total of voucher charges plus or minus the adjustments. The **unexpended balance** of the appropriation is ascertained by deducting the total vouchers charged from the original appropriation. This balance diminished by the contingent liability gives the **unencumbered balance**, that is, the balance available for further orders and contracts.

Apparent as is the necessity of such accounting for appropriations, it is a singular fact that few cities practice it. This is all the more remarkable because most city charters make it a misdemeanor for an officer to overspend appropriations.

ACCOUNTS MUST BE PROVABLE

It is not enough that appropriation accounting consist merely of a memorandum record. Unless provision is made for verifying the correctness of postings and footings and controlling the accuracy and completeness of the accounts, errors which at any time may prove very embarrassing are certain to be made.

ACCOUNTS MUST BE PROVABLE

To establish proper control over the accounts is exceedingly simple. It requires only that each class of document be registered to develop a total against which the detail postings may be proved. For example, the total of the orders registered for the month would be taken from the order register, and, through the medium of a journal entry, transferred to the credit of a controlling account in the general ledger entitled **reserve for open-market orders**, the controlling account **appropriations or authorization to incur liabilities** being debited. The total of the contract register would be similarly treated, **reserve for contracts** being credited.

Assuming that no vouchers were yet posted, a trial balance taken from the detail accounts kept in the appropriation ledger, consisting of the balances derived by deducting from the original appropriation in each account the charges for orders and contracts, would equal the balance of the account **appropriations** in the general ledger.

This would be a proof that all orders and contracts had been posted and that the footings were correct. It would not be proof, however, that each order or contract had been posted to the proper account. But with proof that all entries had been made an error in posting to the wrong account would be

CONTROL OF EXPENDITURES

discovered when the voucher in liquidation of the order or the contract is posted to the account, the procedure being that the former should be cross referenced or checked against the latter. The order or contract entry could not be cross referenced or checked if the order (or contract) and the voucher liquidating it were not posted to the same account.

GENERAL LEDGER CONTROLLING ACCOUNTS

A register of the total of all invoices will show the total of all deliveries. At the end of the month the total of invoices registered as per the invoice register should be transferred to the general ledger through the medium of a journal entry, **accounts payable** being credited and **expenses, stores, or property** being debited.

The establishment of control over stores, property, and expense accounts from a register of documents representing deliveries is of highest importance. When a system of inspection and reports is established, this provides not only for the exercise of accounting control but for administrative control as well.

The total of the voucher register would reduce the invoices and set up **vouchers payable**; at the same

GENERAL LEDGER CONTROLLING ACCOUNTS

time a collateral or secondary entry would be made in the fund group of accounts: **unapplied (net cash) balance** would be credited with the amount of the vouchers, **reserve for open-market orders** would be debited with the amount of orders which the vouchers liquidate or clear, **reserve for contracts** would be debited with the amount of vouchers drawn on account of contracts, and **appropriations** would be debited with the excess of vouchers over orders and contracts or credited with the excess of orders or contracts over vouchers. In the case of contracts this adjustment will occur only at the time final payment is made.

The advantage of establishing control over the accuracy of stores, expenses, and property accounts through a register of invoices is obvious. These alone represent deliveries; these also represent the true liabilities. The vouchers when approved for payment do not affect these accounts except in so far as there may be adjustments. At the same time the voucher also reduces the contract or order reserve.

The accounts in the general ledger, namely **appropriations, reserve for open-market orders, and reserve for contracts** will control all the balances in the detailed appropriation and contract ledgers. A trial balance consisting of balances derived by deducting

CONTROL OF EXPENDITURES

the total order and contract reserve in each account (plus or minus adjustments) from the original appropriation should agree with the balance of the general ledger account **appropriations**. A trial balance consisting of balances derived by deducting the total vouchers on account of orders from the total adjusted order reserve should agree with the general ledger account **reserve for open-market orders**, while the total of the balances derived by deducting contract vouchers from the total adjusted contract reserve should agree with the general ledger account **reserve for contracts**.

The general ledger controlling accounts required for these processes were described and illustrated by journal entries in Chapter III in connection with the discussion of the **fund balance sheet**.

MONTHLY REPORTS

At least once a month a report should be prepared by the chief financial officer for the benefit of the mayor, the board of commissioners or other appropriating body and others interested showing the condition of each appropriation and special fund account.

OTHER RECORDS ESSENTIAL

The report should contain the following information:

Title of appropriation

Original amount

Transfers, if any

Total amount available

Voucher or warrant charges

Unexpended balance

Contract and order encumbrances

Unencumbered balance.

OTHER RECORDS ESSENTIAL

In addition to the records already mentioned there is usually need for a contract record containing an account with each contract, showing the total amount thereof, the amounts approved for payment, the orders outstanding against it, etc. Likewise, it is often desirable and sometimes made obligatory by charter provision to keep a separate account with each person or concern from whom purchases are made on open order. Stores ledgers and records, which are an essential part of a system of expenditure accounting, are treated in detail in the next chapter. The subject of functional cost and expense accounts was treated at length in Chapter VI.

CONTROL OF EXPENDITURES

CENTRALIZED ACCOUNTING SYSTEM DESIRABLE

The foregoing explanation is based upon the assumption that all accounting processes are centralized in the office of the chief financial officer. If each department keeps a set of accounts independently of the chief financial officer's accounts, the method of accounting and control is the same except that the titles of the offsetting accounts of the general ledger controlling accounts are different, for the reason that individual departments would not have the data for keeping such accounts as **unapplied (net cash) balance and estimated revenues required to meet budget authorizations.**

But there is rarely, if ever, any good reason why all the financial accounting of a city should not be centralized under the jurisdiction of the chief financial officer. It can be done much more economically and efficiently this way. Such a plan would enable the financial officer to develop not only a staff of highly skilled bookkeepers and clerks, but an efficient system of bookkeeping and procedure which could be perpetuated from one administration to another with much more certainty than if there were a number of scattered accounting systems.

Unless experience should demonstrate the advis-

CENTRALIZED ACCOUNTING SYSTEM

ability of concentrating the details of departmental statistical and expense accounting in a central office the keeping of these accounts may wisely be left to the several departments of the city government.

CHAPTER IX

MUNICIPAL STOREKEEPING AND CONTROL OVER THE CUSTODIANSHIP OF MOVABLE PROPERTY

In every municipality a large amount of money is spent annually for materials and supplies for use in the operation and maintenance of the various municipal departments and for construction purposes. In few instances are scientific methods employed for conserving these materials and supplies and rendering a proper account of the use made of them. The inevitable result is not only a great amount of waste through careless and inefficient handling, not to mention loss by subversion, but an exact basis for apportioning cost of supplies and materials consumed according to departmental functions, projects, jobs, etc., is not obtainable.

Experience in efficiently managed private business has demonstrated that control over stores and accountability for the use of supplies is absolutely necessary to efficient and economical administration. To-day no well-conducted business is without a system

MUNICIPAL STOREKEEPING

of control through which current information may be had as to goods received, goods that **should be** on hand, and the use that has been made of goods issued; this information covering not only totals but details as to quantity and value of each article.

While it is not likely that any one will contend that such a system will not justify itself in the very large cities, some persons will probably feel that in small municipalities not enough would be gained to warrant its adoption and the employment of persons to carry out its provisions. To this it need only be said that private business has demonstrated conclusively that the saving which may be effected under a system of stores control is usually far greater than the cost of store keeping; it is only where a business is so small that the proprietor himself can carry the stock in mind that store accounts are not used to advantage. But aside from the protection given by locating responsibility for custodianship, the information produced is essential to judgment about every subject of work, efficiency of organization, and economy of result.

Supplies and materials, not to mention tools and small equipment, represent value quite as much as cash in the treasury; in fact, considering the cost of purchasing, handling, etc., each dollar's worth of

CONTROL OF STORES

property of this nature costs considerably more than a dollar. Where one dollar is lost through the dishonesty of persons handling cash, ten dollars are lost through inattention to the proper safeguarding of things purchased.

PROCEDURE FOR SECURING CONTROL

It is such a simple matter to control stores that the wonder is that the importance of doing so has not been recognized by city officials. When supplies and materials are received the invoices covering them are entered in a register of invoices which contains a column into which all amounts chargeable to stores are extended. The total of this column at the end of the month is debited to **stores** in the general ledger. Whatever is charged to this account must be accounted for in stores on hand or requisitions showing goods dispensed.

It is not necessary to keep a detail stores ledger in order to provide information periodically about the condition of each kind of stock. A form is used for the purpose by the department of Bellevue and Allied Hospitals, which is in the nature of a continuing inventory. To this only the monthly totals of goods received and issued are posted. At

EXHIBIT 21

STOCK LIMITS	UNITS
MAXIMUM	
MID-POINT	

STORES LEDGER

The City of New York
DEPARTMENT OF WATER SUPPLY, GAS AND ELECTRICITY

LOCATION OF STORES _____

CONTINUATION OF SHEET	SHEET
DESCRIPTION	
STOCK NO	

ORDERED			
Date	Order No.	Quantity	Remarks

RECEIVED				
Date	Order No.	Quantity	Unit Cost	Total Value

DISPENSED						BALANCE		DISPENSED						BALANCE	
Date	Reqn. No.	Quantity	Unit Cost		Total Value	Quantity		Date	Reqn. No.	Quantity	Unit Cost		Total Value	Quantity	
	FORWARD								FORWARD						

This is a loose leaf form, full size 11 x 14 in. including a binding margin of 1½ in.

PROCEDURE FOR SECURING CONTROL

the end of each quarter an actual count is made with proper adjustments.

A stores ledger may be opened into which each invoice is entered according to articles, a separate page being assigned to each article of supply or material. Each account in this ledger, which is preferably kept by a person other than the one who keeps the general ledger, shows among other things the quantity, value and date of purchase of each article. As goods are dispensed, a receipt is taken by the storekeeper on the requisition presented, as explained in the preceding chapter. This requisition is the basis for crediting each detail account with the quantity and value of each article delivered.

Periodically, usually at the end of the month, the requisitions are embodied in a report of stores dispensed, which is the basis for an entry crediting the stores account in the general ledger. This report also summarizes the various expense or cost accounts which are to be charged. An illustration of a stores ledger will be found in Exhibit 21.

A PERPETUAL INVENTORY

It is obvious that the total of the balances of the stores ledger should at these periodical dates agree

CONTROL OF STORES

with the balance of the stores account in the general ledger. These accounts having been found to be in agreement, the question of paramount importance is whether the quantities called for by the stores ledger will be confirmed by an actual count of the goods in store. Tests for this purpose should be frequently made. One of the best ways of doing this, especially where there are a large number of articles, is for the stores ledger keeper to prepare each day a list of a certain number of articles for which a count of stock is desired. This list is given to the storekeeper, who ascertains the quantities on hand and enters them on the list; it is then returned to the stores ledger clerk, who compares the quantities with the balances called for by the ledger.

Beginning with the first account in the ledger, as many articles are entered in each daily list as can be reported without too much interference with the day's work. The whole round should be covered within a year at least. It is desirable to make the round as often as once in three months.

When differences between the inventory and book balances are found to exist, every effort should be made to ascertain the causes for the differences. They may be due to clerical errors in the ledger accounts, errors in counting stock, breakage, pecula-

REPORT TO BE MADE MONTHLY

tion or other cause. A satisfactory explanation of the differences having been found, the book balances should be made to agree with the count of stock by debiting or crediting the ledger account of the particular article as may be necessary. A corresponding entry for the net total adjustment should be made in the general ledger controlling account with stores, the offsetting entry being made in an account entitled **inventory adjustment account**.

REPORT OF STORES DISPENSED TO BE MADE MONTHLY

There are several ways of posting the goods dispensed to the stores ledger. One way is to extend the value on each requisition and post it directly to the ledger, making a recapitulation of the requisitions in order to obtain a grand total for the month to be used as a control. Where there are a great many articles dispensed in small lots, as in hospital supplies, a convenient method is to post only the quantities each day to an assembling sheet which provides narrow columns at the head, in which are written the names of articles dispensed. The days of the month are written in the left hand margin from top to bottom. A separate assembling sheet is used for each

CONTROL OF STORES

functional division, so that the charge to each expense account for all articles may be known. At the end of the month a summary of these assembling sheets is made on which the total quantity of each article is reduced to money value. This summary becomes the medium for posting to the stores ledger. A copy of it is also used as a report to the general ledger bookkeeper. Other methods of preparing the entries for the stores ledger are used, but those mentioned above illustrate the principles involved.

Under the method first described the charges to the several expense accounts are assembled by posting the requisitions, which of course show the account to be charged, to a loose leaf record in which a separate sheet is assigned to each expense or cost account, only the date, requisition number, and amount being entered. This record is proved by means of the recapitulation of requisitions previously prepared for purposes of control. A summary of the record for the month is prepared as a report to the general ledger bookkeeper. These monthly summaries of stores dispensed are the basis for a journal entry for posting in the general ledger, crediting stores and debiting the several expense accounts affected.

EQUALIZING FLUCTUATIONS IN PRICES

EQUALIZING FLUCTUATIONS IN PRICES

The detail stores account and the inventories have to do primarily with quantities; therefore fluctuations in price are of no moment except in relation to the controlling accounts and in the charges made to expense and cost accounts at the time of issue. These, however, are important, and to make the accounting easy, two general methods are employed:

1 The supplies handled may be catalogued or listed and dealt in at the store at the regular catalogue or list price.

2 Both the storekeeper and accounting officers may use the market price.

In case a "stores" price is established by catalogue or list, as suggested in (1), the same price is continued throughout the year, and the stores accounts are always capable of being stated in quantities and money value without the need of averaging and making adjustments to equalize fluctuations in price.

Under this method, purchases are charged to a **stores purchased** account. All goods taken into store are currently reported to the executive office by the storekeeper on a form designed for that purpose and extended at the "stores" price. This report

CONTROL OF STORES

is the basis for charging **stores** and crediting **stores purchased**. At the end of the month the latter account will be cleared except for a small amount representing the difference between cost prices and "stores" prices. This balance should be transferred monthly to a **stores adjustment** account and regarded as an overhead expense or reduction of expenses. At the end of the year new "stores" prices might be established if desired, or for that matter, at any inventory period.

When the market price is taken, as suggested in (2), and the price of a commodity fluctuates from time to time, the price used (for posting and reporting purposes) in computing the value of the quantity consumed must be adjusted accordingly, so that at the end of the year the quantity balance computed at the latest price will equal the money balance in each account. This adjustment can be made approximately by observing the trend of the account in the stores ledger. Any unavoidable deviation should be on the side of charging goods dispensed at a higher rather than at a lower price.

ADVANTAGES OF STORES ACCOUNTING

CHIEF ADVANTAGES OF STORES ACCOUNTING

A system of stores accounting is indispensable to proper expense and cost accounting, since in no other way can charges for stores dispensed be distributed as costs of the various functions or projects into which they enter. Stores purchased for operation and maintenance may be used in part on new construction and vice versa. Without a system which apportions costs on the basis of goods issued, accurate or even approximate costs are impossible.

A stores system prevents over-purchasing. Frequently goods are on hand but forgotten, with the result that similar goods are again purchased, creating a surplus stock.

A stores system is absolutely necessary properly to control appropriations for supplies and materials, since only an estimate based upon a record of goods consumed can be an accurate one upon which to base appropriations. The necessity for a scientific classification of expenses was discussed in Chapter VI.

A loose leaf ledger is the best form of stores ledger, because reference can be made more readily to the accounts when they are so kept, the pages are readily arranged according to any desired classification of articles, and filled pages can be easily transferred to

CONTROL OF STORES

another volume or binder. Values as well as quantities are recorded, because only through the medium of values can accounting control in the general ledger be established.

As stated in the previous chapter, a system of accounting for the whole city centralized in the chief financial officer's department is most desirable. Under such circumstances a separate stores account would of course have to be kept with each department having a stores system. Where each department has its own system of accounting, both the general ledger controlling account with stores and the stores ledger would be kept in the department.

ECONOMY OF CENTRAL PURCHASING AND STORES DEPARTMENTS

There can be no question that greater economy and higher efficiency can be attained in municipal government when a central purchasing agency and a central storehouse are established. By means of a central purchasing agency responsibility for price, quality, delivery, etc., is more easily located, standardization of articles and contract specifications is possible, and contracts may be made on better terms. With a central store department goods may be

ESTABLISHING A STORES SYSTEM

bought in larger quantities and better prices obtained in consequence; besides, a large stock is more elastic and the danger of staple articles becoming exhausted and unavailable at times of emergency is considerably lessened. In both cases a smaller expenditure for salaries of purchasing agents, clerks, helpers, etc., is usually required.

STEPS IN ESTABLISHING A STORES SYSTEM

To establish a system of stores accounting where none has previously existed the first step is to take an inventory of stock on hand. The inventory should be entered in a book or on sheets prepared for the purpose. It should be valued at current prices or those last paid, and extensions should be carefully verified. The total of the inventory should be the basis for an entry in the general ledger debiting **stores** and crediting **surplus, general account**. The details of each article should be entered in a stores ledger, a separate account being opened with each article. The information usually required in each account is:

Description of article

Unit of measure

Maximum and minimum stock

CONTROL OF STORES

On received side

- Date of purchase
- Order number
- From whom purchased
- Quantity
- Price per unit
- Amount

On dispensed side

- Date dispensed
- Requisition number
- To whom dispensed
- Quantity
- Price per unit
- Amount
- Quantity balance

It is frequently desirable also to have columns to show in memorandum form goods ordered but not yet received, date, order number, etc.

If each requisition is posted separately in the ledger the entries on the dispensed side will usually outnumber those on the received side by at least three to one. This condition can be met by proper ruling of the ledger sheets.

It is very important that the storeroom be so conveniently arranged as to bins, compartments, etc.,

STORES IN A BALANCE SHEET

that articles may be readily found. The quantity in each bin should be kept on a card which is fastened to it. Each addition and each withdrawal, as well as the remaining balance, should be noted on this card, which should also show the minimum and maximum quantity of the article which should be kept on hand. A system of code numbers to designate the articles carried in stock is frequently very useful.

TREATMENT OF STORES IN A BALANCE SHEET

Stores, including tools and similar articles of equipment, are properly a part of the assets of the **general account**, because in the main they are held for meeting current operation and maintenance expenses of the city. It is true that some portion of them may be used on new construction, but in this case a charge is made to capital account and the general account is credited. Since stores are not available for meeting contingent liabilities on contracts and orders incurred or to be incurred under available appropriations, they should be excluded in stating the surplus (of assets) in the general account balance sheet. This exclusion may be effected by offsetting the item of stores in the assets by a **reserve for stores** on the liability side of the balance sheet.

CONTROL OF STORES

CONTROL OF TOOLS AND OTHER SMALL EQUIPMENT

Every city has a considerable amount of money invested in small tools, movable equipment and other property which is used first in one place and then in another. Rarely are there records kept to show what this property is and whether it is properly accounted for from time to time. Seldom does an incoming department head know by the records what property of this character he is assuming the custody of and responsibility for. In few instances are records kept of the location of small tools and equipment, the result being that it is impossible to tell whether any of them are being diverted to private use.

Control of tools and small equipment may be established on the same principle by which stores are controlled. All purchases are charged to a general ledger controlling account from a register of invoices, in fact they may be charged to the stores account. The details of description and quantity of each article are kept in the stores ledger. No articles should be given out by the custodian of the supply except upon a written requisition, properly approved by a foreman or superintendent, and if the requisition is for an article to replace one already in use that fact should be stated, and the old one surrendered before

CONTROL OF TOOLS, ETC.

a new one is issued. The person receiving the articles should receipt for them on the requisition.

Articles issued for use should be embodied in a report and charged to a controlling account in the general ledger entitled **tools and equipment in use, stores** being credited. The former account at all times represents the articles in service. When a worn-out tool is presented and a new one asked for, no additional charge is made to this account, but a charge is made to **tools and equipment consumed, stores** being credited. In this way the account, **tools and equipment in use**, by reason of frequent renewals, practically represents articles in serviceable condition.

Details of this account are kept on a subsidiary card record, a separate card being opened with each foreman, or other responsible person, containing a description of the article, record of date of issue, date of replacement, where used and the cost. Periodically an inspection should be made to see that all tools represented by the cards are in the service of the city. It should be a rule that where an employee asks for a new tool in place of an old one and cannot produce the old one he should be required to pay for the new one.

The account **tools and equipment consumed** is an

CONTROL OF STORES

overhead account, that is, it represents costs that cannot readily be apportioned to specific cost accounts. Where tools consumed can be identified with specific functions or work, however, they should be charged to the related cost account and not to **tools and equipment consumed**.

CHAPTER X

PAYROLL MAKING, TIME AND SERVICE REPORTS

The criticism that city employees do not render as efficient service as employees in private business is almost universal. If the criticism is just, can it be truly said that the fault lies primarily with the employee? Is it not because the municipal employee is handicapped by inferior methods and equipment? Is it not because he has not been given the same incentive to do his best that obtains in private business? Is it not because standards of efficiency have not been provided by means of which faithful employees may be differentiated from shirks? Is it not because there have been denied to those who seek to render efficient service records of accomplishment and standards for judgment, as a means of protecting them against the devices and cunning of those who hold positions and gain favor by what is known as "pull"?

EVIDENCE THE FIRST REQUISITE

It is not suggested that this is the fault of the officer; he may be newly elected. Few officers remain

PAYROLLS AND TIME REPORTS

in power long enough to make radical changes in method. It is the result of a system that has grown up under conditions adverse to efficient management. Before this can be corrected one fact must be fully comprehended both by the officer elect and by the public to which the officer must look for support, namely, that as in the control of other municipal expenditures, the first requisite in establishing efficiency in personal service is evidence—evidence of competence, evidence of incompetence, evidence which will show how much of his time each employee has given to the city and what he has accomplished.

If we require each employee to make his own record and report of the facts and certify to them, and then provide a means for verifying or testing the accuracy of the reports we shall have not only a proper basis for preparing payrolls, but we shall have a basis for determining every employee's efficiency.

A record of each employee's service is the foundation. This record should be made daily and should show:

Hour of

arrival at work

departure for luncheon

arrival after luncheon

departure at close of day

VALUE OF PERSONAL CERTIFICATION

Number of hours on duty

Number of hours absent

with permission

without permission

Title of position or civil service title (if employee is working in a position other than that indicated by his title that fact should be clearly stated)

Statement of work performed (to conform to classification for efficiency record and to show the time at work on each class)

All classes of employees except laborers should prepare and certify as correct such a daily record, and the persons who occupy supervisory relations to them should approve the reports or records for entry in the payroll record.

VALUE OF PERSONAL CERTIFICATION

The superiority of a personal, certified statement of service lies in the fact that falsification makes the person liable under the law of false certification. Whether the record is good or otherwise the evidence is always in such shape that it is acceptable in a court of law. Therefore, if the records are daily examined

PAYROLLS AND TIME REPORTS

for false certification the only other question which can arise, namely, the question as to what the facts are, is taken care of by the employee's own signed statement.

Punching a time clock or signing a time book does not produce evidence of the kind necessary to win a case in a court of law, and experience has shown that such evidence almost invariably fails in other respects when there is occasion to use it. Besides, there are so many ways of defeating the purpose of these devices that their usefulness is not nearly so great as it is commonly believed to be. These devices, however, when properly used are valuable in furnishing collateral information which is useful for checking purposes to the person who approves time reports.

RECORD OF INDIVIDUAL SERVICE NECESSARY

A method of determining the hours of service having been found, evidence as to the quantity or amount of work performed is necessary to establish efficiency standards and to form a correct estimate of the value of individual services. A statement covering quantity of work should be given and certified to on each report.

In order to do this effectually for a large service

RECORD OF INDIVIDUAL SERVICE

and at the same time do justice to each employee, consideration must be given to the question as to what are the elements which go to make up each kind of work. That is, we must do for municipal employees just what has been done in the field of sport. Decision must be made as to what points shall be entered on the score card, so that each worker may make a record for himself.

At first it will be difficult to establish definite standards for measuring certain kinds of service; in other words, to reduce work to a score. But gradually this will be evolved in the same manner as has been done in games. Just as soon as a class of employees have a chance to make individual scores, they will begin to settle the rules so as to do justice to all concerned. At the outset it will be found that in most cases it is possible to describe quantity of work in such a way as to determine the relative accomplishment of a number of employees engaged in the same kind of work; and in many cases it will be found comparatively easy to secure a record of units of work which will be a reliable index to the skill or application of the employee.

For example, a meter reader may report the number of meters read every day; a register clerk, the number of documents registered; a ledger clerk, the

PAYROLLS AND TIME REPORTS

number of standard postings made every day; a copyist, the number of pages written; a telephone operator, the number of calls handled. The fact that an employee changes the character of his work several times each day would not interfere with making a record any more than would the fact that one played golf, tennis and billiards during different periods of the day. He simply has an opportunity to make a record in each. The essential fact is that until some method is provided for making a comparative score there can be no means whereby the competent employee may distinguish himself, except by "personal pull".

THE SEVERAL KINDS OF REPORTS

Laborers and other employees who have not sufficient education to prepare time reports would not be expected to do so. Such persons almost invariably work in gangs under the supervision of a foreman, who would prepare a gang report showing the particulars of time for each individual.

Whether employees who make individual reports should certify a separate report each day or certify a number of days on each report, making the entries daily, however, is a matter for determination accord-

BOROUGH _____

WEEKLY TIME REPORT

The City of New York

SHEET NO. _____

DEPARTMENT OF WATER SUPPLY, GAS AND ELECTRICITY

Bureau _____

Name _____		Division _____		Week Ending _____	
Residence _____					
Title _____		Rate \$ _____		Assigned to _____	
DAY OF WEEK MONTH	TIME	NATURE AND LOCATION OF WORK	EXPENSE CLASSIFICATION	Hours Worked Daily REG. SPEC. O | T	These columns for use of Central Office only
					✓ AMOUNT
THURSDAY	Arr. M				
	Left M				
	Arr. M				
FRIDAY	Left M				
	Arr. M				
	Left M				
SATURDAY	Arr. M				
	Left M				
	Arr. M				
SUNDAY	Left M				
	Arr. M				
	Left M				
MONDAY	Arr. M				
	Left M				
	Arr. M				
TUESDAY	Left M				
	Arr. M				
	Left M				
WEDNESDAY	Arr. M				
	Left M				
	Arr. M				
I hereby certify that the above record of services by me is correct.		I have examined and approved this record and certify that the same is properly chargeable as indicated.		Total	\$
Examined and found correct.		Extended by		Checked by	Charged on Cost Analysis Sheet
Foreman					

THE SEVERAL KINDS OF REPORTS

ing to local conditions. Under ordinary circumstances, employees who are paid by the month and whose work does not take them outside of their office might submit a report on the 10th, 20th and at the end of each month, entering the particulars of each day's work at the end of the day. For persons engaged in field work a report submitted daily might better serve the purpose of the administering officer. For certain employees paid by the week, a weekly report consisting of daily entries would probably be desirable. An illustration of a weekly time report will be found in Exhibit 22. Reports for ten day periods should follow the same lines.

The superiority of foremen's gang reports over time books lies in the fact that they provide for certification by the foremen, which makes them legally responsible under the law of false certification; besides, the former, on account of containing more writing space, admit of reporting the hours of beginning and leaving work and the nature of work performed.

To make it unnecessary for the foreman to write the names of employees each day on the report submitted by him, the names can be filled in on the typewriter using the names of the previous week, and six copies made by means of carbon sheets. These six copies are delivered to the foreman at the beginning

PAYROLLS AND TIME REPORTS

of the week; each day he uses one of the copies, fills in the particulars of each man's time, certifies it and submits it to the executive office.

TIME RECORDS

The time reports as received are now entered in a time record which contains a line for each employee's name, a column for each day in the week or month, the total amount earned and such other particulars as may be required. Separate records are kept for employees paid weekly, bi-weekly and monthly. These may be in bound form or loose leaf. From these records the payrolls are currently prepared.

An individual record giving the principal facts of each person's employment, and containing a condensed record by months, of hours at work, number of times late, absent, etc., is invaluable in estimating the relative worth of employees. Such a record is illustrated in Exhibit 23.

HOW NEW YORK CITY IS SOLVING THE PROBLEM OF CONTROLLING PAYROLLS

The method pursued by New York City in the preparation and certification of payrolls and the

Time and Service Record, Department of Water Supply, Gas and Electricity.

EXHIBIT 23

NAME

RESIDENCE

Date of Original
Appointment to Dept.

Date
Changed

Bureau &
Division

DUTIES

Date
Changed

TITLE

Date
Changed

SALARY

MONTH	At Work REGULAR TIME		ABSENT						LATE						Total Department Hours	OVERTIME		REMARKS
			No. of Times		Excused		Not Excused		No. of Time		Excused		Not Excused					
			Hrs.	Min.	Hrs.	Min.	Hrs.	Min.	Hrs.	Min.	Hrs.	Min.	Hrs.	Min.				
JAN.																		
FEB.																		
MCH.																		
APR.																		
MAY																		
JUNE																		
JULY																		
AUG.																		
SEPT.																		
OCT.																		
NOV.																		
DEC.																		
Total For Year																		
JAN.																		
FEB.																		
MCH.																		
APR.																		
MAY																		
JUNE																		
JULY																		
AUG.																		
SEPT.																		
OCT.																		
NOV.																		
DEC.																		
Total For Year																		

This is a loose leaf form, printed on both sides, capable of holding a four years' record

PAYROLLS AND TIME REPORTS

IMPROPER PRACTICES MADE DIFFICULT

These restrictions are designed to render difficult certain practices which have heretofore defeated the purpose of the appropriating body. Formerly it was a common practice of department heads to maintain a rather low rate of expenditure for a portion of the year in order that there might be a surplus of salary and wage appropriations available for increasing the compensation of favorites just before budget-making time, thereby making these increases the basis for allowances of subsequent years. It was heretofore not an uncommon thing for department heads to use the higher salaries on the competitive civil service list when vacancies occurred to employ a large number of cheaper employees, especially when an election was approaching. This had the effect of filling offices with incompetents and seriously affecting the *esprit de corps* of organization. Another practice decreased the number of employees, allowing the funds so saved to be used to increase the salaries of favorites. Again, under former methods, if unused funds accumulated at the end of the year they were frequently dissipated in a wasteful manner instead of being returned to the general fund.

CERTIFICATION OF PAYROLLS

WHAT THE PAYROLLS ARE REQUIRED TO SHOW

Departments are now required to prepare their payrolls in such a manner as to show:

1 The title or description of the schedule line to which each employee's salary is chargeable.

2 The appropriation allowance of each schedule line for the year.

3 What one-twelfth of the amount of each schedule line is.

4 The amount expended for the month.

5 The portion of each line expendable to date allowing one-twelfth of the appropriation for each month, or one-fifty-second for each week.

6 The amount expended to date, including current payroll, of each schedule line.

7 The balance of each schedule line unexpended.

With these facts certified to by departments and verified by the comptroller, there is positive assurance that the intentions of the appropriating body and the conditions imposed by it have been complied with.

CERTIFICATION OF PAYROLLS

The manner in which payrolls are certified and the

PAYROLLS AND TIME REPORTS

points covered in the certificates constitute two of the most important features in payroll making. Every element of information necessary to establish responsibility for the integrity of payrolls should be covered and certified to. Certificates should be signed only by the persons having personal knowledge of the facts. When this rule is observed it will not be possible for signers of certificates to make the plea so often resorted to under lax methods of procedure, namely, that they could not be expected to have intimate knowledge of every point covered by the certificate.

In New York City payroll facts are developed through certificates which are in substance as follows:

The person who prepares the payroll certifies:

1 That he has in his possession written evidence that each person named in the payroll was duly appointed or elected;

2 That there is on file a time record or report duly certified by persons having knowledge of the facts showing the kind and exact time of service of each person, and the further fact that on no day covered by the payroll was the number of persons employed under each schedule line in excess of the number authorized by the line;

3 That the payroll is correct.

CERTIFICATION OF PAYROLLS

The person who has knowledge of the accounts of the department certifies in substance:

1 That the several amounts are proper charges against the appropriation or fund accounts stated;

2 That the amounts mentioned in the payroll will not exceed the unencumbered balances of appropriations;

3 That no part of the payroll has been certified for payment in any previous payroll.

The head of the department certifies in substance:

1 That the persons named in the payroll were elected, appointed or promoted to the positions named in accordance with the civil service law and rules pertaining thereto, and that the salaries of positions have been established in accordance with charter provisions;

2 That except when granted leave of absence the persons named have been regularly employed in the performance of the appropriate duties of the positions indicated, and have at no time during the period covered by the payroll been assigned to duties pertaining to any other position except as noted;

3 That the services were necessary for the proper conduct of the business of the department;

4 That any overtime allowed was due to an ex-

PAYROLLS AND TIME REPORTS

traordinary emergency caused by fire, flood or danger to life or property.

5 Upon preceding certificates signed by persons designated by him to do so, the head of the department certifies that to the best of his knowledge, information and belief the payroll is correct.

Although the head of the department obviously cannot have intimate knowledge of all the points of information mentioned in his certificate, he is, nevertheless, obliged by law to certify to them.

The payroll now passes to the comptroller for audit and payment. In his office it is examined as to calculations, recapitulation, etc., and compared with the comptroller's record to ascertain that it is in every respect in accordance with the provisions of the budget and all resolutions of the authorizing body.

PAYROLL FORMS DESCRIBED

The payroll now in use in one of the largest departments in New York consists of three sections. The first section contains the names of employees, rate of pay, number of days, amount due, nature of work performed other than that indicated by civil service title and a column for signature of employee.

PAY ROLL VOUCHER

For _____ Ended.

Division _____

Sub-Division _____

The full size of the above form is 17x20.

1870
1871
1872
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1891
1892
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1895
1896
1897
1898
1899
1900

1870	1871	1872	1873	1874	1875

PAYROLL FORMS DESCRIBED

On the right are several columns for the summarization or analysis of the sheet by appropriation and salary schedule lines, a code number being used for the former and a letter to indicate the schedule line. This analysis is transferred to the second section or summary sheet in order to bring together all of the amounts chargeable to each schedule line and to show the total charge to each appropriation account.

The third section is the payroll voucher (Exhibit 24) to which are carried the totals from the summary sheet. This voucher shows the title of each schedule line, the number of incumbents and amount for which appropriation is made and the pro rata allowance; line for line, in adjoining columns, is shown the number of incumbents and the amount of money on the payroll certified for payment. A comparison is also made between the total of each appropriation and the total amount charged against it from the payroll. Thus, every essential fact necessary to show whether the authorizing body's budget conditions are complied with is set forth. As these facts are certified to by the department and verified by the comptroller's office, the control over the payroll expenditures is practically absolute. The term "pro rata allowance" refers to the period for which employees are paid. It may be a week, a half month,

PAYROLLS AND TIME REPORTS

or a month. Where appropriations are made for seasonal work, that is, for work which is heavy at certain times of the year and light at other times, the restriction limiting expenditures to one-fifty-second for each week is waived.

All payrolls are examined by the civil service commission to determine that there are no violations of its rules. If an employee is engaged in a position other than that indicated by his civil service title, the fact must be set forth on the payroll. Failure to do so makes the head of the department legally liable for false certification, since his certificate specifically covers this point.

Monthly payrolls are paid by checks of the city paymaster and weekly rolls are usually paid in cash. Each department fills out its own pay checks, which are supplied by the paymaster in advance of the preparation of each roll. When the payroll is transmitted to the comptroller for audit, the pay checks are sent to the paymaster for registration and signature. They are then returned to the departments by the paymaster and given to employees, who receipt for them on the face of the payroll in the space provided for that purpose.

CHAPTER XI

HOW A PUBLIC OFFICER MAY USE REPORTS

In the past the chief medium for the transmission of intelligence about public business has been public gossip. It is the gossip of the town that is invoked for the purpose of supporting or destroying candidates for office. It is the gossip of the town that is invoked against him or is used to support him after he has been inducted into office. The principal relation is a personal one. What the officer does or what he refuses to do depends very largely on what those next to him tell him, and these in turn depend very largely on what they have been told.

As a result of a lack of effective means for bringing complete, accurate, and prompt information to the attention of the officer at the time he must act, the public service has been bound up in what is called "red tape." Red tape is the procedure which has grown up or has been thrown around certain officers or offices in order to prevent a superior from doing harm by allowing the business to go to loose

HOW OFFICER MAY USE REPORTS

ends for lack of information, due to the fact that little provision is made for keeping an officer and the public informed through regular reports. Persons who are responsible for transacting the business of the public have been required to keep in touch with the centers through which public gossip clears. The business of the officer, therefore, has been quite as much outside as inside of his office. This is one of the marked differences between public and private business.

Successful administration of modern business is based upon reports which come currently and promptly to the executive and give him information on every essential detail of the business for which he is responsible. In a big business it is not possible for the administrator to maintain personal contact with all subordinates and with every detail of work. He must entrust details to others, otherwise he will find himself overwhelmed with minutiae, made incapable of viewing the business in its true perspective, and deprived of the time necessary for future planning. It is also true that where subordinates are given more independence by not being kept in too close contact with the executive they will develop greater sense of responsibility, and thus become more useful to the organization.

ESSENTIALS OF A GOOD REPORT

A properly conceived and well-designed system of reports is one of the principal factors in effective organization and successful management. It is to an operating organization what a contour map is to a military leader or a sailing chart is to the captain of an ocean liner. It makes for the solidarity of an organization, and gives each of its members better appreciation of his responsibility.

With all essential details concentrated daily at his desk by means of properly devised reports, the executive may review a day's operations in a few minutes and obtain a comprehensive grasp of what is going on. Unusual or abnormal conditions are quickly revealed, permitting him to concentrate on things that require investigation and action. With his time conserved through not having to give attention to matters which according to the reports require no attention, the executive, no matter how large a business he is called upon to administer, will find himself with time for the study and planning which are so essential to successful management.

THE ESSENTIALS OF A GOOD REPORT

If we are to have reports which are prepared in such a manner as to give the executive the maximum

HOW OFFICER MAY USE REPORTS

information with a minimum of effort, we must recognize the following principles of report-making:

Completeness

Accuracy

Promptness, frequency and regularity

Summarization

Classification

Comparison

Unit rates

Percentage ratios

Averages

Completeness —When relying on gossip or rumor for his knowledge of affairs or on personal contact, the public administrator is always handicapped by having an incomplete and inaccurate statement of facts. To serve its purpose effectively a report must be complete. It must cover every phase of the business for which the officer is responsible. For this reason it is suggested that the accounts by means of which the reports are currently prepared should deal with every subject of public business instead of a few subjects as is the common practice. Not only should the public administrator have a complete statement of facts with respect to the condition of funds and appropriations, but, as has already been said,

ESSENTIALS OF A GOOD REPORT

he should have a complete statement before him with respect to what the city owns and what the city owes; with respect to the fidelity of custodians; with respect to revenue accruals and collections; with respect to contracting and purchasing relations; with respect to the economy and efficiency of results obtained; etc., etc.

Accuracy—The establishment of accounts and the making of reports which are complete, that is, which tell the story about each subject of business, does not suffice. The story told must be true; the accounts and reports must be correct; otherwise the officer may be as much misled by the report as he would be if he relied on rumor or personal contact for guidance. It is to the end that the officer may know whether or not the statements are correct that controlling accounts are established—accounts through which the story in summary form is told, and to which the supporting details may be checked and proved.

Promptness, Frequency and Regularity—By far the greatest value of accounts and reports lies in making the facts currently available. That is, if statements of fact are to be used as a basis for judgment they must be before the officer when judgment must be exercised. Reports may be complete, they

HOW OFFICER MAY USE REPORTS

may be accurate, but if they do not produce statements promptly and make the facts available to the officer each day when he must assume responsibility for judgment in the execution of plans or policies, they are of little use. A report which comes in after it is needed as a basis for administrative judgment is only an annoyance, and a system of accounting and reporting which does not make the facts available when needed becomes a source of irritation and a means of detracting from official efficiency. Such a system does not enable the officer to render effective service and obtain the support necessary to become efficient while in office.

The frequency with which reports should be made depends upon the frequency with which judgment should be exercised. If daily, reports should be made each day; if weekly or monthly, the report should be a weekly or monthly report; if the subject is one of general policy to be settled annually then an annual report will suffice. The report should also be regularly produced. Regularity is essential in order that the officer may know when information may be expected, and so that those who prepare data may be instructed to lay before him facts which lend themselves to comparison for each period reported.

Summarization—Facts must be presented in con-

ESSENTIALS OF A GOOD REPORT

densed form so that they can be grasped almost at a glance. This not only saves the time of a busy administrator, but enables him to get clear cut mental impressions which otherwise would not be possible. Their significance may not at first be understood; but any change suggests definite inquiry. The chief value of a summary lies not in questions answered, but in questions raised. It points the finger. It suggests where the manager should look. Failure to recognize the significance of this principle renders almost useless the published financial reports of many American cities. Facts they doubtless give, but they are in such scattered and extended form, a particular statement sometimes covering fifty pages, that the mind does not grasp their purport and consequently the purpose of presentation is defeated.

Classification—This means the separation of facts into groups or divisions. In order that a person interested may have a complete, accurate, and prompt report on each subject of interest, the summary report should tell the story of each general subject or group of related interests; the detail report should tell the story of each minor subject of interest included in each group summarized. Without classification no story could be told. For considering the results of the many transactions of public business

HOW OFFICER MAY USE REPORTS

classification is necessary for clarity. It does not mean much to the manager of a business to have expenditures or even current expenses reported in one sum. To obtain a proper conception of the content of expenses he needs to have them classified according to the several kinds of expense; that is to say, the total expenses for a given period may be no more than those of a prior period, and yet there may be large variations in the groups of which they are composed. Likewise, within the field of operating statistics it is vastly more informing to the head of a police department to have the number of arrests for each kind of crime reported to him than merely the total number of arrests by districts; or to the head of a public health service, to have cases of sickness or death reported by classes rather than all kinds reported in one total.

Comparison—Facts are always informing, but only when they are shown in perspective, or in other words, when they are compared with those of other periods and the increase or decrease reduced to a percentage, does the administrator or other person interested have the maximum of questions raised for his consideration. It is only by having the record of one day, one week, one month, one year after another, that the significance of current results is

ESSENTIALS OF A GOOD REPORT

brought into view. A comparative statement is to an administrator what a "bogey" score is to a golf player; it makes every play significant, even though he may be playing alone. A statement of the revenue from freight carried for a year gives the stockholder of a railroad little information, but if the previous year's figures are given in an adjoining column and the current year's figures are stated as being fifteen, twenty or twenty-five per cent. smaller, he will immediately begin to ask questions.

Unit Rates and Percentage Ratios—The purpose of unit rates and percentage ratios is to bring to the administrator the significance of facts that otherwise might not readily appear. The mind can more easily grasp the significance of costs when they are expressed on the basis of the cost per unit. For example, it means little to a citizen to tell him that it costs \$5,672.67 for feed for the horses of the street cleaning department for a year, but if he is told that this was the cost of feeding fifty horses and that the average rate per head per day was 31 cents he can easily "compare notes" if he is interested; if he has not heretofore been interested there is a good chance of his becoming so. So, too, the significance of percentage ratios is more readily grasped than that of a gross sum, for the reason that a percentage always

HOW OFFICER MAY USE REPORTS

requires comparison. For example, the percentage ratio which expenses of each function of city government bear to the total cost of government tells a much clearer story than do the amounts expressed in dollars and cents for the reason that the mind grasps relative figures more readily than isolated facts.

Averages—The reduction of results to averages also helps the administrator grasp the problem for which he is responsible. Averages are useful in equalizing unusual fluctuations which have no special significance so far as a period of some length is concerned. The expenses of a department may run evenly for seven months and in the eighth month may show an unusual increase due to a particular expenditure which may not be necessary again during the year. Obviously the ninth month could not properly be compared with the eighth, but it could be compared with the average of the first eight months. Similarly, comparing one year with a previous year which might have been abnormally small or large would not give as correct a basis for judgment as comparing the year with the average of several prior years.

GRAPHIC CHARTS

GRAPHIC CHARTS

Graphic charts are used as a means of getting before the mind the trend of events. They are an excellent means of presenting figure facts in a way to show their relation to the past and to indicate what is to be expected. Appreciation of their value is constantly growing. A chart is easily made on "cross section" paper which consists of faint lines running up and down crossed by lines running from side to side, precisely and equally spaced. The figures to be charted are entered on the left hand margin from top to bottom. The variation to be expressed is represented by a line to the right, running in a zigzag manner according to the fluctuation, from top to bottom, in relation to a straight vertical line which represents 100%. The space between the faint vertical lines may be taken to represent one per cent. Fluctuations below 100% appear at the left of the straight vertical line. Those in excess of 100% are shown at the right of the vertical line.

The figures to be presented are first reduced to a percentage basis to facilitate charting and also to facilitate relating them to other sets of facts set forth on other charts. For example, a certain figure, either an average of a number of past years or an

HOW OFFICER MAY USE REPORTS

initial figure, where no past experience is available, is assumed to be represented by 100%. Every subsequent figure is expressed by a percentage bearing the same ratio to 100 that the subsequent figure bears to the first named amount. For example, if \$1,425.50 is represented by 100% and the next amount to be charted is \$1,468.26, to reduce the latter amount to a percentage, it is necessary to divide it by the former amount. This gives 1.03 and multiplying 100% by this amount gives 103%.

A simpler form of graphic chart is a circle divided into sections or segments, each segment representing a portion of the whole. To illustrate, suppose it were desired to present graphically the expenditures of a city for operation and maintenance according to functions. The total expenditure is represented by the circle which contains 360 degrees. The amount to be represented by one degree would be found by dividing the total by 360. Dividing the several sums which are to be represented by segments by the value of a degree we have the number of degrees in each sum to be charted. Having divided the circle into 360 segments by use of a protractor we can readily determine the size each segment should be.

REPORTING METHODS

TYPOGRAPHY AN IMPORTANT FEATURE

Typographical arrangement has much to do with the clearness of a report. Too often this feature is greatly neglected, the result being that the reader does not get clear impressions of the facts presented. Style of headings, indentations, spacing, grouping, use of capitals, small letters and numerals, whether in a printed or a typewritten report play an important part. Reports at best are too often dry and uninteresting and therefore no feature which will promote interest in them should be neglected.

PRINCIPLES FURTHER ILLUSTRATED

Having set forth and explained the principles which give vitality to reports and make dry figures significant, we may proceed to show how they are specifically applied in particular instances and to illustrate the kind of reports in use in large efficient organizations:

REPORTING METHODS OF THE AMERICAN TELEPHONE & TELEGRAPH COMPANY

The monthly reports of the American Telephone & Telegraph Company, one of the largest corporations

HOW OFFICER MAY USE REPORTS

in America, consist of a series of reports which progressively disclose every point of interest or value to the executive officers of the company. They are prepared on standard printed forms, size 8½ by 11 inches. The basic or first report is a condensed balance sheet showing fifteen items of assets and ten items of liabilities running from the top to the bottom of the sheet with three columns to the right. The first column shows the financial status of each item at the end of the month; the second column shows the increase over the previous month (decreases in red); the third column shows the increase or decrease in relation to the last annual statement.

The statement second in importance is a condensed statement of earnings and expenses showing two items for the former and four items for the latter. By columns are shown the figures for the month, increase or decrease in relation to the previous month, the accumulated amounts since the last annual statement, the increase or decrease in relation to the corresponding period of the previous year expressed in money value as well as percentages.

In these two reports are focused the results of the business to date. Each report is amplified by perhaps a dozen other reports which set forth every detail concerning which information is currently de-

REPORTING METHODS

sired. For example, each item of property and equipment is elaborated to show gross additions since the last annual report, the plant sold, removed or abandoned since last annual report, net additions since date of last annual report, total at end of month reported. Similar details are shown for each item of liabilities. In this manner every detail pertaining to every phase of the financial questions of the company is set forth in a monthly statement, enabling the executive officers to note every variation from the previous period and affording a basis from which to direct inquiry where explanations seem to be necessary, or where figures give rise to questions having to do with economy and efficiency.

Operating facts pertaining to the handling of traffic are likewise set forth in a series of monthly statements. The general theory of these reports is that the irregular, unusual or abnormal facts should be brought clearly into view. Thus, there is a delayed call report, showing the total number of calls handled and, in detail by stations, the number of calls delayed together with the ratio of delayed calls to the total number handled. There is also a report of calls lost, a report of complaints, a reduced charge report and various other reports, all of which bring to view the points in traffic handling which need to be watched

HOW OFFICER MAY USE REPORTS

in order to develop and maintain efficiency in operation. By setting them out clearly in separate statements, the unusual things can be got at more quickly and more directly and at a great saving of the administrator's time.

REPORTS OF THE RECLAMATION SERVICE OF THE UNITED STATES

The engineer responsible for each project in the reclamation service renders to the director at Washington monthly reports, showing not only the total cost and unit cost of each element or function for the month under review, but also the total cost and unit cost of each element since the beginning of the project (Exhibit 25). From the reports thus rendered summary comparative statements are prepared in the office at Washington (Exhibits 26 and 27). The advantage to the administrative official of having accurate costs presented in such a form is obvious. For example, it may be seen from Exhibit 26 that the man-day cost of running mess houses ranges all the way from 55¢ to \$1.15, the average being 72.3¢. This is analyzed to show the cost of subsistence (food, labor, and the mess house supplies). From experience the engineer in charge

DEPARTMENT OF THE INTERIOR
UNITED STATES RECLAMATION SERVICE

7-802a
 Project
 Monthly
 Cost
 Report

Strawberry Valley Project

Feature DRIVING STRAWBERRY TUNNEL HEADING 1

Month of January, 1912

Acct. No.	CLASSIFICATION	THIS MONTH		TOTAL TO DATE	
		Amount	Unit Cost	Amount	Unit Cost
	Labor—				
760	Engineering.....	\$217.80	\$0.65	\$471.47	\$0.56
761	Superintendents.....	216.66	0.64	621.66	0.74
762	Shift Bosses.....	418.50	1.25	1,245.50	1.43
763	Timekeepers.....	85.00	0.25	249.33	0.30
764	Drillmen and Helpers.....	1,216.50	3.62	3,809.88	4.50
765	Miners.....				
766	Muckers.....	1,134.19	3.38	2,802.46	3.32
767	Track and Dumpmen.....	663.13	1.97	1,867.71	2.21
768	Skinners.....	255.75	0.76	573.40	0.68
769	Timbermen.....	627.61	1.87	2,021.16	2.39
770	Miscellaneous.....	40.25	0.12	334.08	0.40
	Materials—				
771	Powder, Fuse and Caps.....	795.36	2.36	1,609.43	1.91
772	Lumber.....	357.60	1.06	968.31	1.15
773	Oils, Candles, Etc.....	83.33	0.25	298.14	0.35
774	Ventilating Pipe.....	205.20	0.61	260.17	0.31
775	Track, Including Ties.....	190.44	0.57	398.91	0.47
776	Pipe (Air Line).....	1.32	0.00	130.01	0.15
777	Drill Repairs.....	97.12	0.29	614.08	0.73
778	Miscellaneous.....	74.48	0.22	329.69	0.39
779	Machine Shop Expense.....	224.57	0.67	424.83	0.50
780	Blacksmith Shop Expense.....	242.45	0.72	634.31	0.75
781	Corral Expense.....	249.90	0.74	761.04	0.90
782	Power.....	1,370.02	4.08	2,570.41	3.05
783	Plant Depreciation.....	628.32	1.87	1,136.32	1.35
	Labor and Material—				
784	Pumping.....	433.87	1.29	785.87	0.93
785	Electrician and Blowerman.....	102.75	0.31	256.51	0.30
786	Disabled Employees.....				
787	Equipment Depreciation.....	168.00	0.50	341.50	0.40
788	Camp Maintenance Expense.....	686.76	2.04	1,360.64	1.61
789	General Expense.....	651.91	1.95	1,781.53	2.12
	Diamond Fork Road Maintenance	75.35	0.23	157.23	0.19
Total.....		\$11,514.14	\$34.27	\$28,815.58	\$34.14

Work com- menced	Percentage complete	Estimated unit total cost	Lowest total bid recd., \$.....
			Lowest unit bid recd.,

CLASS OF WORK	UNIT OF MEASURE	THIS MONTH		TOTAL TO DATE		REMARKS
		Quantity	Unit Cost	Quantity	Unit Cost	
Excavat..	Lin. Ft..	336	\$34.27	844	\$34.14	Materials:
.....	Haul:
.....	Labor:
.....	Equipment:
.....	Weather:
.....	Miscellaneous:

Correct:

ROSS WORSLEY, Bookkeeper.

8-802

Additional remarks may be
 written on the back hereof

INSTRUCTIONS

This report should be made out at the end of the month, after the books have been closed, and sent to the office of the Director not later than the 15th of the month following.

Active features:

One report should cover every live or active Cost Ledger feature.

Fill in the account number, classification, amount under "This month" and under "Total to date." Total the columns showing costs for the current month and to date, and fill in the blanks at the bottom of the report.

When the report covers operations the results of which are measurable in uniform units, as excavation, embankment, paving, laying concrete, masonry, boring tunnel, manufacture of cement, etc., fill in unit-cost columns, otherwise these columns may be disregarded. If detailed reports of unit costs, other than on this form, are prepared and submitted to the office of the Director for this feature, write in the column for unit costs: "See separate report of unit costs herewith."

Inactive features:

All features that receive no charges during the current month should be listed on this form, with amount in "Total to date" column filled in, using one line for a feature, so that the total of these reports for any month can be verified by the debits to Cost Ledger reported in the balance sheet both as to current month's business and total to date. Do not report inactive features by account numbers, but by totals only.

Completed features:

When any feature is 100 per cent. complete unit costs should be reported in detail, if the product can be measured in units.

Remarks:

East Portal (Heading No. 1) at Station 190, 91. Heading No. 1 at end of month at Station 182, 47. Linear feet excavated during the month, 336. Total tunnel excavated from this heading, 844 feet. Daily progress during the month, 10.84 feet. The material encountered, a soft, red sandstone with an occasional stratum of shale and clay, did not break very well during first part of month. It was necessary to change the method of drilling and shooting it several times, as the drill holes would boot-leg out at times. Some water was encountered but not enough to impede the work materially.

The spacing of the timber sets was increased from 4 to 5 feet on centers, but the ground is still of such a nature as to require the timbering to be kept close to the face of the heading.

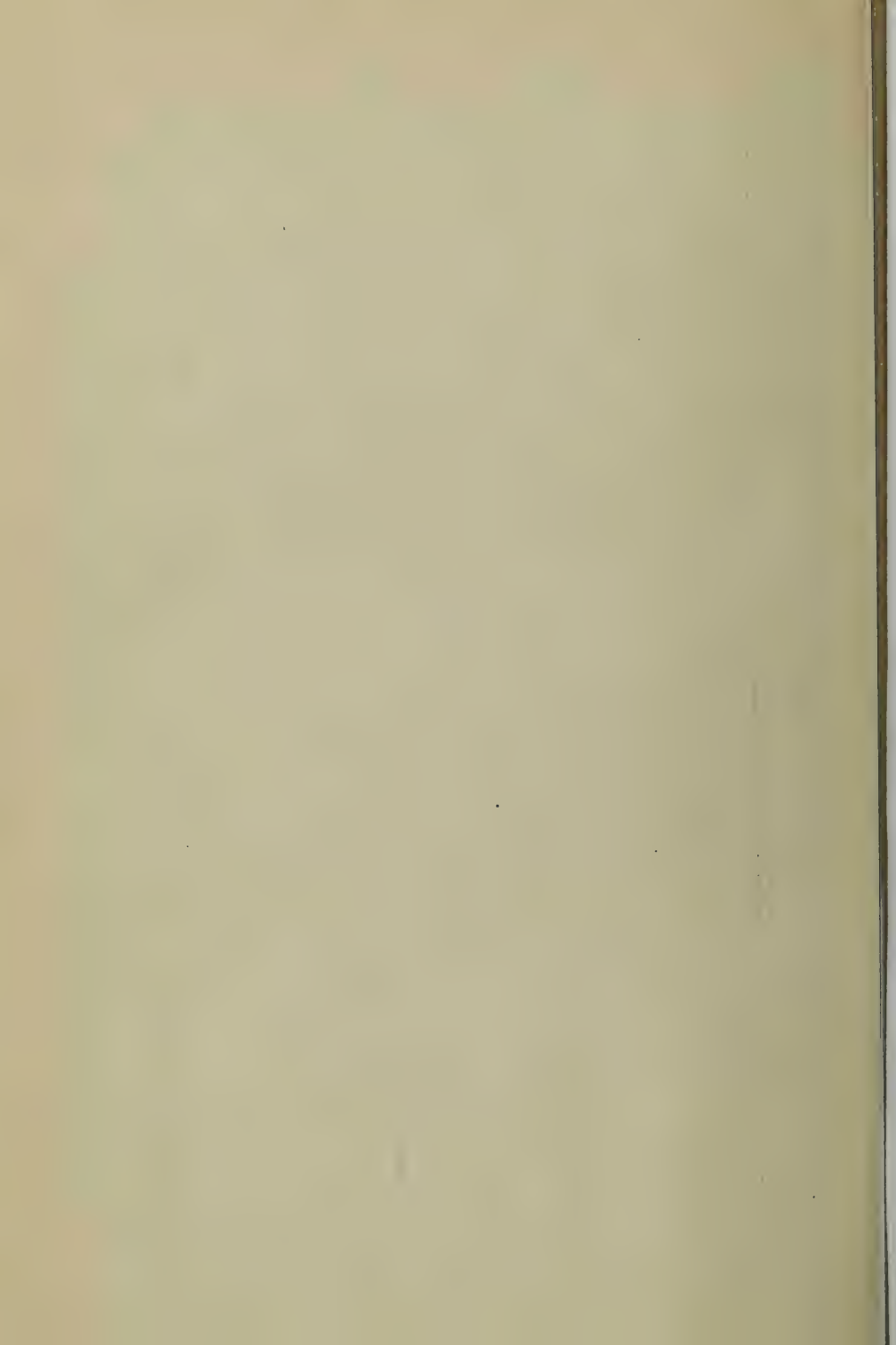
7 rounds were lost in the heading: 3 due to moving pumps, 1 to track, and 3 miscellaneous causes. A soft, blue shale was appearing in the bottom of the face at the end of the month and the material generally was getting harder. No trouble encountered due to lack of power. Water encountered is being handled by a 4" centrifugal pump, running about three-fourths of the time.

1½ inches of snow fell and the minimum temperature was —32 at the camp. Snow on tunnel road between 2 portals is about 3 ft. deep, but freighters not having any trouble getting through.

.....
.....
.....

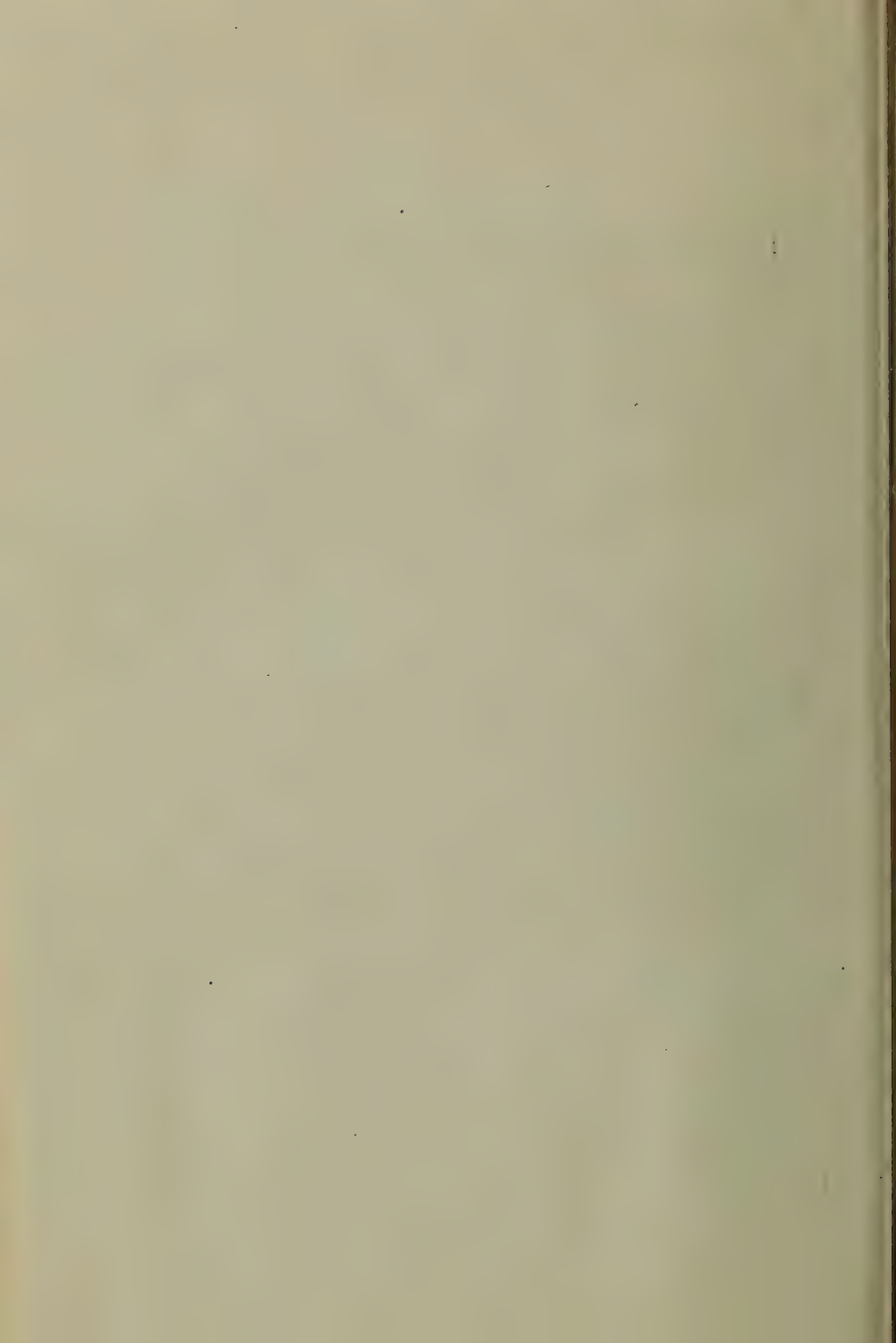
**COMPARATIVE AVERAGE OF UNIT COST OF OPERATING MESS HOUSES ON THE RECLAMATION PROJECTS
FOR THE MONTH OF JULY, 1912**

PROJECTS	TOTAL COST	MAN DAYS	UNIT COST PER MAN DAY				THIS MONTH		TOTAL TO DATE		REMARKS
			Total Unit	Sub- sist	La- bor	Sup- plies	Loss	Gain	Loss	Gain	
SALT RIVER	\$4,043.15	6,972	\$ 660	\$ 490	\$ 130	\$ 000		\$623.51		\$13,471.15	
COLORADO RIVER											
YUMA	2,621.60	2,786	940	749	180	0.1	\$532.00			10,077.91	
ORLAND										14.97	From Balance Sheet.
GRAND VALLEY									8714.70		From Balance Sheet.
UNCOMPAHGRE VALLEY	1,764.27	2,389	771	551	173	7	47.52			4,147.73	
BOISE	11,192.41	16,436	680	530	180	0.0	581.56			26,295.09	
MINIDOKA									5,082.35		From Balance Sheet.
GARDEN CITY										860.82	From Balance Sheet.
HUNTLEY											
MILK RIVER	603.33	891	740	570	140	0.0		7.42	3,210.02		
SUN RIVER	1,140.83	1,400	785	509	239	0.0	52.08		5,094.41	4,871.98	
LOWER YELLOWSTONE	586.96	757	775	510	175	0.0	28.75				
NORTH PLATTE	2,608.72	3,138	830	610	170	0.0	252.47		7,205.76		
TRUCKEE-CARSON	2,510.00	4,572	556	395	132	0.0		809.96		11,151.22	
CARLSBAD											
HONDO											
RIO GRANDE	2,074.51	3,553	830	400	190	3.0	289.51		815.16		
MISSOURI R. PUMPING	277.85	473	587	442	141	0.0		51.65	109.36		
CENTRAL OREGON											
UMATILLA									347.90		From Balance Sheet.
KLAMATH									970.74		From Balance Sheet.
BELLE FOURCHE	473.97	473	1,000	656	277	0.0	119.07		4,405.07		
STRAWBERRY VALLEY	6,319.85	8,316	760	590	140	0.0	84.60			10,458.06	
OKANOGAN									193.83		From Balance Sheet.
YAKIMA STORAGE	5,341.10	8,370	650	510	100	0.0		868.70		9,554.57	
SUNNYSIDE										4,659.26	From Balance Sheet.
TETON	767.24	914	840	730	090	0.0	51.70		90.32		
SHOSHONE	409.62	540	759	468	222	0.0	4.57		10,428.45		
BLACKFEET											
FLATHEAD	313.66	272	1,150	870	280	0.0	109.08			9,400.29	
FORT PECK										122.87	From Balance Sheet.
			\$ 723	\$ 536	\$ 142	\$ 000	82,183.90	\$2,451.24	\$39,760.85	\$105,082.82	
			Net Gain for July				267.34				
							2,451.24	2,451.24			
			Net Gain to date						05,321.07		
TOTAL	\$44,048.33	62,124							\$105,082.82	\$105,082.82	



COMPARATIVE AVERAGE OF UNIT COST OF OPERATING CORRALS ON THE RECLAMATION PROJECTS FOR THE MONTH OF JULY, 1912

PROJECTS	TOTAL COST	HORSE DAYS	UNIT COST PER HORSE DAY				LBS. PER HORSE DAY		REMARKS
			Total Unit	Forage	Labor	Supplies	Hay	Grain	
SALT RIVER	\$1,233.73	2,788	\$.440	\$.330	\$.070	\$.040	18	12	
COLORADO RIVER									
YUMA	1,010.05	2,640	.386	.233					
ORLAND	75.03	155	.484	.180	.081	.020	14.8	12	
ORLAND VALLEY						.134	18	8	
COMPAGNE VALLEY	1,063.85	1,373	.679						
MOISE	1,342.87	2,531	.530	.471	.120	.070	18.8	15.8	
MINIDOKA				.370	.070	.090	25	12	
ARDEN CITY									
STUTLEY	345.89	699	.493	.333	.151	.010	26	10	
MILK RIVER	630.69	1,098	.635	.323	.070	.040	23	13	
SN RIVER	623.94	941	.660	.466	.124	.070	15	13	
LOWER YELLOWSTONE	524.22	1,345	.390	.174	.151	.065	11	16	
NORTH PLATTE	3,175.68	5,652	.560	.430	.070			9	
MURKEE-CARSON	1,468.52	2,128	.696	.428	.107	.070	19	20	
MUSKIE-BAD	188.63	155	.850	.390	.050	.410	21	13	
HONDO								16	
RIO GRANDE	780.04	1,407	.550	.290	.130	.130	9	13	
MISSOURI R. PUMPING	111.47	243	.458	.366	.086	.006	17	14	
CENTRAL OREGON									
MATILLA	326.45	609	.536	.400	.070	.066	28	14	
CLAMATH									
ELLE FOURCHE	1,373.10	1,850	.742	.613	.109	.019	25	19	
GRABERRY VALLEY	2,234.16	2,658	.840	.700	.080				
SKANOGAN	104.16	186	.560	.366	.134	.060	21	13	
WIM-STORAGE	2,981.68	4,537	.650	.480	.050	.120	24	19	
UNNYSIDE	286.90	433	.660	.320	.310	.030	15	10	
TIFTON	418.05	692	.606	.450	.054	.100	28	13	
RODMONE	1,145.23	1,920	.760	.500	.081	.179	25	15	
BLACKFEET									
BLATHEAD	553.61	945	.585	.323	.158	.104	22	11	
PORT PECK									
TOTAL	\$21,820.00	36,808	\$.593	\$.431	\$.096	\$.069	20	13.6	



REPORTS OF THE RECLAMATION SERVICE

as well as the director at Washington knows in general what to expect. Whenever there is a variation that strikes his eye as being unusual, he at once makes inquiry as to the reason. These returns are tabulated so that averages are shown comparatively from month to month. It will be noted that the high cost is at Flathead, where there were only 272 man-days, requiring a high cost of labor, as well as a high cost for provisions. This is a small camp in an out-of-way place. It is also to be noted that among the lowest costs is the Missouri River Pumping Station, which operates at 473 man-days per month, but it is within convenient reach of a relatively good market, and operates at an advantage.

Notwithstanding the fact that the Flathead mess house is run at the highest cost, and the Missouri River station at a relatively low cost, there was a loss of \$109.98 during the month of July on the former, and a gain of \$51.65 on the latter. This means that they cannot reasonably charge the men at Flathead enough to pay for the cost of running the mess house without increasing their wages, whereas, by charging a relatively low rate for meal tickets at Missouri River Pumping Station, all of the costs are covered and a gain of \$51 realized which goes to reduce the net cost of the project.

HOW OFFICER MAY USE REPORTS

Among the many reports will be found unit costs of automobile and motorcycle maintenance and operation. These are of interest to municipal officials because each succeeding year sees more of such machines in municipal service, and the upkeep costs have become a matter of considerable importance. Exhibit 28 shows a form of monthly report on an automobile. The data in this report, together with that shown by reports from other locations, are assembled in the Washington office in a comparative summary, so that the administrative officials may readily note the maximum, minimum, and average unit costs of each automobile in operation.

SOME REPORTS REQUIRED BY A MUNICIPAL FINANCIAL OFFICER

It may be of interest to describe a few of the reports which the chief financial officer should have in order to gain a clear understanding of the financial condition and the financial operation of his city.

In previous chapters we discussed summary balance sheets and revenue and expense statements. These summaries need to be enlarged upon, analyzed, and supplemented by current, intermediate statements in order that the administrator may have

DEPARTMENT OF THE INTERIOR
UNITED STATES RECLAMATION
SERVICE

Boise Project

Feature OPERATION OF AUTOMOBILE
Month of June, 1912

7-894

PROJECT MONTHLY
COST REPORT

PRINCIPAL FEATURE

NUMBER

PART

LETTER

Contract No. Specification No.

ACCOUNT No.	CLASSIFICATION	THIS MONTH		TOTAL TO DATE	
		Amount	Unit Cost	Amount	Unit Cost
	Supplies:				
1	Gasoline.....	\$25.10	\$.023	\$215.67	\$.0249
2	Lubr. oil and grease..	7.49	.006	73.59	.0093
3	Other supplies.....	2.70	.002	95.64	.0118
4	Storage.....	5.00	.004	40.50	.005
5	Tire repairs.....	115.53	.097	354.77	.044
6	Other repairs.....	47.90	.042	298.29	.038
7	Depreciation.....	26.07	.022	411.46	.052
8	Miscellaneous.....	1.00	.001	7.33	.0009
	Driver's salary.....	100.00	.085	1,027.40	.1271
	Driver's expenses.....	8.80	.007		
	E. M. F. 30 H.P. Tour- ing Car, purchased Aug- ust 17, 1911: Initial cost \$1,300.00 Total mileage this month, 1,175. Total mileage to date, 8,066.				
Total.....		\$339.59	\$.289	\$2,524.65	\$.313

Work com- menced	Percentage complete	Estimated	unit total cost	Lowest total bid recd., \$.....
				Lowest unit bid recd.,

CLASS OF WORK	UNIT OF MEAS- URE	THIS MONTH		TOTAL TO DATE		REMARKS
		Quantity	Unit Cost	Quantity	Unit Cost	
.....	Materials:
.....	Haul:
.....	Labor:
.....	Equipment:
.....	Weather:
.....	Miscellaneous:

CORRECT:

J. JOHNSTON, Costkeeper.

Additional remarks may
be written on the back
hereof.

Active features:

When the report covers operations the results of which are measurable in uniform units, as excavation, embankment, paving, laying concrete, masonry, boring tunnel, manufacture of cement, etc., fill in unit-cost columns, otherwise these columns may be disregarded. If detailed reports of unit costs, other than on this form are prepared and submitted to the office of the Director for this feature, write in the columns for unit costs: "See separate report of unit costs herewith."

All features that receive no charges during the current month should be listed on this form, with amount in "Total to date" columns filled in, using one line for a feature, so that the total of these reports for any month can be verified by the debits to Cost Ledger reported in the balance sheet both as to current month's business and total to date. Do not report inactive features by account numbers, but by totals only.

When any feature is 100 per cent. complete unit costs should be reported in detail, if the product can be measured in units.

REMARKS:

This image shows a full page of dot grid paper. It features a light beige background with horizontal rows of small, dark grey dots. The dots are arranged in evenly spaced, parallel lines across the entire width of the page, providing a guide for writing or drawing without solid lines.

REPORTS REQUIRED BY MUNICIPAL OFFICER

complete information regarding every point upon which judgment must be currently exercised.

First, there should be a complete summary of cash transactions and the condition of cash. The statement should show the cash on hand at the beginning and the amount in each depository, the total amount received during the period, the total amount disbursed during the period, and the balance on hand at the end of the period, also divided according to depositories. This information should be given for each cash account classified, to show transactions within the general account, bond funds, sinking funds, and trust funds. A convenient form of statement arranges the first group of facts from top to bottom and the second group of facts by columns from left to right. In this way a compact statement is presented.

Next, cash receipts should be detailed according to sources and classified according as they belong to the general account, bond funds, sinking funds, or special trust funds. The sources and funds may be enumerated in the first column from top to bottom. In columns from left to right may be shown:

Amount received during month ended

Amount received from first of year to date

HOW OFFICER MAY USE REPORTS

Amount received during corresponding period of
previous year

Increase

Decrease

Details of cash payments should also be shown in a separate statement in similar formation. These two statements comprise the analysis of the total receipts and total disbursements shown in the statement first described.

Next, there should be a statement which will show the financial officer how he is to finance maturing obligations. For this purpose there is required a statement showing the obligations maturing in four subsequent quarters and the anticipated cash that will be available in the same periods, with the deficiency to be provided for or the excess. Four columns from left to right will show the four quarters to be charted in this manner. This information should also be shown for the four groups or funds and by showing these in the first column from top to bottom one statement will suffice for all funds.

The details of estimated obligations to be met should be shown in a subordinate statement. Each kind of obligation should be noted. In the first column should appear the obligations at the current

REPORTS REQUIRED BY MUNICIPAL OFFICER

date, in the second column the obligations maturing in the next succeeding quarter and so on. The details of cash available and expected from collections should be similarly charted according to sources.

The revenue and expense statement may also be supplemented by detailed statements. In a statement of revenue may be shown the:

Amount accrued during the month from each
source

Amount accrued from first of year to date

Amount accrued in corresponding period of pre-
vious year

Increase

Decrease

Average per month, current year

Average per month for first. . . . months,
previous year

Average per month for entire previous year

In like manner expenses may be analyzed on the basis of expenses incurred, whether paid or not. The several columns should show:

Cost for current month

Total cost from first of year to date

HOW OFFICER MAY USE REPORTS

Total cost of corresponding period, previous
year

Increase

Decrease

Average cost per month, current year

Average cost per month first.....months of
previous year

Average cost per month for the entire previous
year

The above described statements are intended to suggest only the possibilities in report making. Other forms of reports will suggest themselves according to conditions. The administrator must have facts, he must have them promptly, and he must know their relative value. He cannot have too much information of the kind that throws light on the problems before him.

THE USES OF REPORTS

A few illustrations will suffice to show the use to which an officer may put such reports as these as well as reports of other character. Take the report of maturing obligations. The officer sees that the probable cash available during the next quarter will fall considerably below the estimated debt to be met. He

THE USES OF REPORTS

knows that he will have to borrow. A definite forecast such as this prevents over-borrowing; at the same time it enables him to anticipate financial needs, making it possible to negotiate loans on favorable terms. In conjunction with the comparative statement of expenses of past periods above described he has a basis for approximating the financial requirements of the ensuing year with reasonable accuracy.

The comparative statement of revenue shows the trend in this direction. Any falling off immediately gives rise to questions as to the reasons and puts the officer on inquiry as to whether revenues are increasing at a rate commensurate with the increase in value of services performed or privileges granted due to increase in population.

As pointed out in Chapter VIII the chief financial officer should have prompt knowledge of all deliveries made to the city and a record of invoices covering them. As vouchers are prepared for audit they are checked off and referenced against the original record of invoices. A report every ten days of the invoices not vouchered will immediately raise questions as to why invoices are not passed for payment. Under such a procedure favoritism and corrupt practices on the part of city employees in dealing with

HOW OFFICER MAY USE REPORTS

tradesmen and other contractors will be minimized. Similarly a periodical report of vouchers for which checks have not been drawn will raise questions which will be embarrassing to the persons who audit vouchers if any are held up for improper reasons.

The principal financial officer of a city should receive frequent reports of such matters as the time required to pay claims against the city. The fact that dealers have usually considered cities "slow pay", and hence have charged them higher prices, has been due to (1) delay of departments in transmitting the evidence of claims to the central accounting office, and (2) delay in passing claims through that office. The Bureau of Audit of the Department of Finance in New York City affords an excellent illustration of the efficiency which may be developed in the auditing and paying claims. In New York invoices are vouchered in the departments and then transmitted to the Department of Finance for audit. A tabulation made prior to the installation of the accounting system described in this book showed that it took, on an average, approximately twenty-three days to audit and pay a claim, after the voucher had reached the Department of Finance. As soon as the chief auditor began to require reports of time consumed and to administer upon the infor-

THE USES OF REPORTS

mation shown by the reports, there was a steady decrease in the time, because the office force cleared the claims more rapidly. As a result of the attention thus directed to the matter the average time consumed was reduced to less than five days—a reduction of an average of eighteen days.

But this was not the only result which came from establishing record control. Before the present system was established each claim moved singly, and any claim could get into a pigeon hole without calling attention to the fact. Now they are numbered and scheduled in and out and any claim which is withheld not only calls attention to the fact, but a notice must be placed in the place of the voucher telling who has withheld it and the reason therefor. The effect has been that each tradesman is placed on practically the same footing.

The report of September 28, 1912, shown on page 186, shows that the average time consumed during the previous ten days was 4.6 days. It is to be noted from the report that nearly all of the claims were held two or more days by the inspectors. The attention of the chief auditor is thus directed to that spot in the procedure which should receive his attention, if the time is to be further reduced. In this instance the delay is due to the

HOW OFFICER MAY USE REPORTS

failure of departments to transmit invoices of goods promptly, thereby preventing preinspection on a large percentage thereof. It is planned to correct this condition by inaugurating reports on invoices received and vouchers withheld, thus reducing the average time required for payment to less than three days.

REPORT OF SEPTEMBER 28, 1912

Vouchers Received By Department of Finance September 17, 1912

	Released by Inspectors	Released by Auditors	Vouchers from Audit- or to Pay- ment	Vouchers from Re- ceipt to Payment
1 day.....	36	39	384	2
2 days.....	149	216	163	35
3 days.....	23	60	113	277
4 days.....	36	21	...	91
5 days.....	...	...	...	..
6 days.....	47	2	...	78
7 days.....	21	6	...	99
8 days.....	12	1	...	51
9 days.....	2	1	...	16
10 days.....	1	...	...	11
Total Vouchers...	327	346	660	660

Average time per voucher 4.6 days.

Monthly statements of the condition of appropriations and funds showing unexpended balances, outstanding orders and contracts and unencumbered balances tell the department manager which way he is

THE USES OF REPORTS

headed and when and where he must curtail expenditures.

Monthly trial balances and balance sheets promptly rendered show the officer that the bookkeeping work is being done in an orderly manner and that it is up to date, and failure to receive such statements is usually evidence that the opposite is true.

Trial balances of stores ledgers compared with reports of goods actually on hand prompt inquiry as to how the differences between the two are accounted for, whether by errors in posting to wrong account, waste, speculation, etc.

Daily or weekly summaries placed in the hands of the executive showing the principal facts relating to services of individuals from which inquiry may be directed regarding lateness, absence, etc., will do more to raise the moral tone of the organization than anything else.

Reports of expenses carefully studied in the light of units of results achieved will disclose to the department manager practically everything he needs to know in order to place his department on a high plane of efficiency.

CHAPTER XII

STEPS IN REORGANIZING ACCOUNTING AND BUSINESS METHODS

Typical of many letters coming to the Metz Fund was one received from a leading citizen of an enterprising Pennsylvania city who wrote: "Kindly advise me what is the best method to follow in a campaign of education for an up-to-date municipal accounting system". About the same time the secretary of a civic organization in California wrote: "Our association is aware of a very deficient system in _____ and is studying the question at the present time in order to bring about, if possible, a new system that will be intelligible and expeditious. Any information you can give us will be thoroughly appreciated."

These letters and others like them are encouraging because they evidence a growing appreciation throughout the country of the need for improving prevailing methods of accounting and reporting by which officials render an accounting of their trusteeship. "Kind words butter no parsnips"—neither do

COÖPERATION AMONG CITY OFFICIALS

expressions of interest bring about reform. Citizens and officials, even when they learn that improvement is necessary, for one reason or another delay in taking effective steps to secure it. This delay is due chiefly to the fact that those interested realize more or less vaguely that the subject is technical in character and therefore requires expert services. These seeming not to be immediately available, enthusiasm wanes and the work of betterment is postponed. Many city officials earnestly desire to render signal service by placing municipal business on a higher level, but because of the difficulties, technical and otherwise, that have to be surmounted, permit their terms of office, often of too brief duration, to slip away without making radical changes. It is the purpose of this chapter to suggest ways of approaching the problem of reorganizing the business methods of a city. The suggestions here given are the result of an experience of several years in dealing with the various phases of research and reorganization work in cities.

COÖPERATION AMONG CITY OFFICIALS DESIRABLE

However desirous the chief financial officer of a city may be to improve public business and account-

STEPS IN REORGANIZING ACCOUNTS

ing methods, unless he is in exceptionally good circumstances and has trained accountants in his office available for the work of reorganization he will have to obtain funds to employ the necessary expert help. This means that unless he is willing and in a position to use his private means he cannot proceed without the coöperation of others. If he is able to justify the expenditure of public funds for this purpose by demonstrating the need of a reorganization and succeeds in obtaining from the appropriating body funds for carrying out his plans, his course will be clear enough. If, as is frequently the case, however, he has difficulty in persuading the "powers that be" of the importance of supplanting antiquated and unscientific methods with modern efficient methods he must look elsewhere for moral and financial support of sufficient amount to make a demonstration.

CRYSTALLIZING PUBLIC SENTIMENT

In such cases he should lay his plans before public-spirited citizens, the local board of trade or other civic body performing similar functions. Usually the sympathetic interest of a few influential persons can be awakened through personal interviews. If, however, the official cannot arouse sufficient interest

CRYSTALLIZING PUBLIC SENTIMENT

in his program in private interviews his procedure should be to hold public meetings in order to create an intelligent public sentiment in favor of his plans. If he has sufficient prestige he should enlist the influence of the local newspapers in behalf of his program. At one or more public meetings he should endeavor to have present some one from a municipal research bureau, of which there are now several throughout the country, in order that a clear presentment can be made of what may and what should be done. The official may wish to choose as a point of attack one of several aspects of the general problem. A study and reorganization of budget-making methods may, in his judgment, find ready support; or the purchasing methods of the city may require drastic revision; or a reorganization of the accounting and auditing procedure may make the strongest appeal to public sentiment.

All of this may not be sufficient to move the council or other governing body to appropriate the money. Usually where the matter is properly presented and the council fails to act, public-spirited citizens will help make a beginning by subscribing private funds. Funds having been pledged, definite steps to carry out a program may be taken.

STEPS IN REORGANIZING ACCOUNTS

VALUE OF LOCAL ADVISORY COMMITTEES

It is a good plan to get a body of citizens committed to a movement of this kind and to this end it is desirable to organize an advisory committee consisting of leading local business men who will stand sponsor for a sound businesslike plan to reorganize the business and accounting procedure of the city. The prestige of such a committee will sometimes be strengthened by the organization of a committee of local experts. Such a committee would serve as a link between the advisory committee and outside experts, if they are employed.

SURVEY OF EXISTING CONDITIONS AND STUDY OF REQUIREMENTS

Whatever the point of attack decided upon, an expert in the particular work to be undertaken should be secured. If the accounting and business methods are to be overhauled the services of an expert public accountant should be engaged. Only one who has had actual experience in municipal work and who is familiar with the standards set by the municipal research bureaus should be employed, otherwise the work will be protracted and results will often be un-

STUDY OF REQUIREMENTS

satisfactory; too much time may be spent on non-essentials and vital points may be overlooked. As the first step is to have a study or survey of existing conditions made, only the most experienced person should be called in to make what in medical parlance would be called a diagnosis of the case.

The scope of the preliminary study or survey will depend upon the end sought. A general survey would consist of a study of the form and structure of organization, an analysis of the powers and duties of the various officers and the methods of accounting and business procedure. By the time this survey is completed, the investigator will be prepared to make a report containing criticisms of conditions and methods and constructive suggestions for correcting defects and placing city business on an efficient basis.

With this report the official at whose instance the investigation was made is in a position to go before the appropriating body and ask for an appropriation to carry out the recommendations embodied therein. If this body is still unyielding and refuses to provide funds, the official will be, as before, under the necessity of procuring funds by private subscription. This should not be a difficult task in a progressive community since he now has a concrete proposition which

STEPS IN REORGANIZING ACCOUNTS

will appeal favorably to enough persons willing to provide the requisite funds.

In order to secure the friendly coöperation of department heads and their subordinates and the benefit of the valuable suggestions which they often have to offer it will be worth while to submit the investigator's report to them for constructive criticism.

METHODS OF REORGANIZATION AND INSTALLATION

Wherever possible, the same person who made the preliminary survey should be selected to carry out the constructive recommendations accepted, for the reason that a stranger to the subject would necessarily have to cover much ground that the first investigator had already covered.

Installation of new methods should be undertaken by easy stages, so that there will not be too much interference with the routine of business and so that employees will not become too confused and their sympathetic interest repelled by being required to do too much extra work while the installation is in progress. If too much is attempted at one time there is danger of the business machinery breaking down. If this happened it would practically discredit the constructive program, and the damage would be difficult

REORGANIZATION AND INSTALLATION

to repair. For example, if a system of issuing requisitions, orders, and contracts and the means of properly recording them so as to bring them under accounting control were to be installed it would be best to get these processes in some kind of working order before attempting other features relating to expenditures. While this work is going on, however, it will be quite feasible to start some of the processes on the revenue side, since there will usually not be much interference in these two phases of business procedure. Especially important is it that instructions in respect to the new procedure be definitely and succinctly stated so as to be easily comprehensible by those who are called upon to follow it.

When all persons concerned have become accustomed to the new procedure relating to orders and contracts, work may be begun, for example, on revising the method of vouchering claims and recording them, and while this is in progress the work of organizing a general ledger system of controlling accounts may be taken up. By thus conducting the reorganization by units and by easy stages and then, when each unit is firmly established, knitting them together into a complete whole, a trustworthy system and an efficient organization may be established.

The person entrusted with the installation or re-

STEPS IN REORGANIZING ACCOUNTS

organization work should so far as possible devote his time continuously to it until it is completed and until it can safely be turned over to the regular staff, one of the reasons for this being that questions will constantly arise which only he can settle. In the progress of the work he should seek and receive the sympathetic coöperation of each person who is affected by the reorganization, and as far as possible, important steps should be taken only after they have been agreed upon in conferences held with division heads and approved by the chief financial officer.

PARTIAL REORGANIZATION NOT EFFECTIVE

Although it is suggested that a beginning be made in a reorganization movement by taking up as a point of attack one of several phases of the general problem, such as budget-making, accounting and reporting, purchasing and control of supplies, etc., it should be understood that these several matters are so interrelated that there is only a limited value in reorganizing one of them to the exclusion of the others. Budget revision cannot be permanently effective unless a proper method of accounting is established, since it is the latter which is depended upon to furnish the data and experience upon which to

PARTIAL REORGANIZATION INEFFECTIVE

base a scientific budget. A well-conceived system of accounting takes cognizance of the need for a proper classification and record of functional expenses, work and job costs, units of work or service performed, as well as means of controlling the custodianship of materials and supplies and accounting for their distribution. Methods of purchasing determine the relative value of supplies which enter into the cost of work and service performed, and standardization of supplies and salaries is also directly related to the cost of government.

If a revision of accounting methods is undertaken first, a revision of budget-making methods must necessarily follow, since no interested person will be satisfied with a budget which does not give specific information as to public functions to be performed and the amounts provided to meet the cost thereof, particularly when data respecting the cost of the various functions in the past are to be obtained from the accounting records thus established.

MANUAL OF BUSINESS AND ACCOUNTING PROCEDURE

When the installation of new methods has been completed it is very important to have a detailed description of it made with illustrations of books, forms

STEPS IN REORGANIZING ACCOUNTS

and reports, together with arguments for the basic principles. This description should be printed in book form and each city employee affected by the new system should have a copy for reference and guidance. The value of such a compilation lies in the fact that the details of procedure are thus definitely fixed and protected from deterioration and arbitrary change at the hands of persons with ulterior motives or of those who would make changes out of mere caprice or without a full understanding of the effect of changes upon the system as a whole. It should contain a provision that no substantial change shall be made in the prescribed procedure unless the reasons therefor and the details of the proposed change be set forth in writing and approved by competent authority. When possible a well tried out procedure may be promulgated as an ordinance by the legislative body.

PERIODICAL EXAMINATIONS

As a means of insuring continuous conformity to the authorized procedure it is a good plan to have the accounts audited and the procedure inspected periodically, once or twice a year, by a competent representative of the comptroller's office or, if necessary, by an outside accountant. In addition to es-

PERIODICAL EXAMINATIONS

tablishing the integrity of the accounts (if they are correct) such an inspection will determine not only whether the procedure is being scrupulously followed, but will afford the examining accountant an opportunity to suggest modifications or improvements which may be needed as conditions change with the lapse of time.

In this relation it may be of interest to quote from a letter received by the Metz Fund from the comptroller of a large New England city. He writes: "We are having an audit conducted in this city of the comptroller's records and of other department records in so far as they relate to the comptroller's records. Some criticism has arisen as to the need of such a step, some maintaining that it is an audit of the auditor and that there should be no need for such a proceeding. While I do not expect you to decide a controversy, yet I consider that a talk on such a subject would be of interest to citizens and officials throughout the country."

It is true that many persons not concerned with the active management of business do not see the necessity of an independent audit made by an outsider. But the experience of thousands of enterprises has so conclusively demonstrated the wisdom of such a procedure that the subject is no longer debatable.

STEPS IN REORGANIZING ACCOUNTS

A large proportion of well-conducted private concerns, even though their regular office staff includes an auditor or a comptroller, have periodical examinations of their accounts made by professional auditors and the proportion is constantly increasing. They have learned that the moral effect of an audit on the office staff is salutary; that many a man who, if left to his own devices might misappropriate funds and falsify the accounts to conceal the misappropriation, would absolutely be deterred from so doing if he knew that an audit of the accounts would be made which would mean exposure. Even the employee who does not have the handling of funds will do his work better if he knows that he may be criticized by an outsider.

The inside auditor from too close contact loses his ability as well as his disposition to criticize, hence the outside auditor is needed to supply essentials. The professional accountant, moreover, by reason of his contact with the affairs and problems of many widely different concerns is in a position to make valuable suggestions as to the accounting methods, organization, and business policies of his client, and such service has frequently bridged the gap between failure and success. The need for independent audits is even greater in public business where tenures of office are

CONTINUOUS SUPERVISION NECESSARY

frequently of short duration and where there are not the same influences at work which make for strict accountability in private business. Such systematic audits of municipal accounts should be made by a properly equipped state department.

CONTINUOUS SUPERVISION NECESSARY

Another provision which is calculated to insure continuity in established methods and procedure is that which requires that all orders for the purchase of accounting forms and account books be passed upon by the person having general supervision of the accounting system to make sure that the forms so ordered conform in every respect to the procedure in the manual above suggested.

In all cities over a certain population, say 30,000, it will usually pay to head the permanent staff with an expert on accounting and business methods. Upon this person will devolve the responsibility for seeing that the methods adopted are being carried out in accordance with the original plans, of improving methods both in new fields and in present procedure, and of keeping the city abreast of the best methods which are continually being developed in other cities as well as in private business.

STEPS IN REORGANIZING ACCOUNTS

ACTUAL EXPERIENCE OF CITIES

In order to give point to the suggestions herein made, it may be interesting to narrate the events which led to the taking of definite action by a city which has reorganized its business practices and accounting methods. The experience of Montclair, N. J., which has also reorganized its accounts, is given in Chapter XIII.

New York—At the time the budget for 1907 was under consideration it was proposed that the budget of the department of health be reclassified and that the principle of functional segregation be adopted in the preparation of departmental budgets of the city. At the suggestion of the comptroller this principle was formally accepted by the board of estimate and apportionment at a meeting held in October, 1906, when the budget for 1907 was passed.

In the resolution adopting this principle the board requested the comptroller to provide suitable forms for setting up segregated budgets for all departments the following year. Meanwhile the study of the department of health was continued and a plan recommended for the reorganization of its accounts and statistical records, in order that there might be a basis for setting up future budgets without special

EXPERIENCE OF NEW YORK CITY

investigation and analysis of expenditures each year.

Owing to the limitations of the comptroller's staff he was unable to comply with the resolution of the board of estimate and apportionment to prepare functional budgets for the other departments. The Bureau of Municipal Research volunteered its coöperation and assistance and work was begun in several of these departments similar to that done in the department of health. In each case it was clear that to make a segregated budget practical in subsequent years it would be necessary to devise and install a system of expenditure accounts which would classify the expenses of the departments according to functional activities. In collaboration with the comptroller's office complete accounting systems for several of the largest departments were devised and installed.

With these systems in operation it was soon found that the central accounting system of the comptroller's office was not designed to furnish control over departmental accounts and that, moreover, it was not of such character as to meet the requirements of the charter. Thereupon the Bureau of Municipal Research was requested to make a study of the organization and accounting methods of the department of finance and to report to the comptroller with recom-

STEPS IN REORGANIZING ACCOUNTS

mendations as to the changes needed to enable the department fully to perform its charter powers and duties.

Upon receiving this report the comptroller began to take steps to carry out its recommendations, which had been submitted to and approved by several of the leading firms of certified public accountants in New York City.

The comptroller first set about to organize an installation staff for which, as a beginning, he recruited twelve specially qualified accountants from the offices of leading accounting firms in New York. This staff in collaboration with the Bureau of Municipal Research immediately began working out the details of a comprehensive system of accounting and reporting which would embrace not only the comptroller's department but every one of over a hundred departments throughout the city.

As this work progressed numerous conferences were held with a committee composed of financial experts and accounting officers of some of the largest private corporations in the country having offices in the city. At these conferences principles of revenue and expenditure control, accounting procedure, forms of reports, etc., were discussed and agreed upon. After the installation had been in progress about a

EXPERIENCE OF NEW YORK CITY

year the Chamber of Commerce, at the suggestion of the comptroller, appointed a committee consisting of one of its financial experts and two others, members of two accounting firms in the city, to make an examination of the working of the system which was being installed. After a thorough study this committee fully endorsed the work that had been done and the general plan upon which the comptroller was proceeding.

In this way the comptroller protected the city at each stage against committing it to any program of revision which would not be sanctioned by the best practices in modern business. The result is that New York City has in process of installation a system of business and accounting procedure not second to that of the most efficiently managed private enterprise in the country.

CHAPTER XIII

THE COST OF OBTAINING COMPLETE AND ACCURATE INFORMATION

One of the objections usually urged against supplanting antiquated, unsystematic, and ineffective methods of obtaining information about public business is, "The cost would be prohibitive". When asked if information may be regularly produced, the answer is, "Yes, if the city wishes to pay for it" or, "If council will appropriate for additional salaries. We are now keeping all the accounts and making all the reports possible with the present staff".

Experience has proven that it is so expensive for a city to get along without complete, accurate, and prompt statements of facts about its business that it cannot afford to get along without them at any cost. But the criterion of an accounting system is complete, accurate, and prompt information at the lowest possible cost. Accepting this criterion an accounting and reporting method has been devised

EXPERIENCE OF MONTCLAIR, N. J.

which reduces the work to the lowest possible cost compatible with accuracy and completeness. The method which has been described in the preceding chapters is one which assumes that every transaction shall be recorded on a document, such as an "order", an "invoice", a "voucher", etc., and that from the document there will be an entry into an account which represents the most detailed analysis required for any regular reporting purpose. This is the only detailed entry required. For the purpose of proving the accuracy of the detailed postings the documents themselves are totaled and posted to a general ledger which serves the purpose of control over subsidiary books of accounts and carries all the accounts necessary to produce a complete balance sheet. In case any intermediate analyses are required these would be produced by a grouping of the items in the statements made from the most detailed accounts.

As an illustration of the practicability and utility of such a system applied to the smaller-sized cities and towns, and in order to show what information may be produced for a town by one bookkeeper, the financial statements and supporting schedules of the town of Montclair, N. J., as of July 31, 1912, are attached hereto:

COST OF ACCURATE INFORMATION

- I Asset and Liability Balance Sheets and Current Operation Account (Exhibit 29):
 - 1 General or Current Account Balance Sheet, supported by Schedules "A" to "E"
 - 2 Capital Account Balance Sheet, supported by Schedules "F" to "H"
 - 3 Trust Fund Balance Sheet, supported by Schedule "I"
 - 4 Current Operation Account, supported by Schedules "J" to "P"
- II Fund Balance Sheets (Exhibit 30):
 - 1 Appropriations, supported by Schedules "Q" and "R"
 - 2 Bond Funds, supported by Schedule "S"

On the face of these statements and schedules there appear brief explanatory remarks, which, it is thought, will serve to answer some questions which may arise. As has been said, the books of account, from which have been produced all of the statements and schedules referred to above, are kept by one clerk. For the purpose of placing before him the exact entries to be made in order to properly record any transaction affecting the general account, a chart of general ledger entries (Exhibit 31) was prepared. Every action which it was possible to

EXPERIENCE OF MONTCLAIR, N. J.

foresee was shown on the chart with the title of the record in which the information would be found. Certain of these actions occur daily or monthly, such as the registration of vouchers, receipt or payment of cash, etc., while others occur at infrequent intervals, such as the confirmation or cancellation of assessments, levying of taxes, etc. If frequent bond issues are made, a similar chart should be prepared to show the entries necessary to record capital account transactions.

Not only does this one clerk keep the books, but, to guarantee accuracy, the subsidiary records are balanced and proved to the general ledger controlling accounts shown on the balance sheet every month. This also insures promptness of reporting such facts as are desired. This one man draws off and submits to the council at the first meeting in each month statements of appropriation and bond fund balances, as per schedules "Q" and "S" herewith. He also prepares balance sheets, detailed expense statements, and other further details promptly when called for by administrative officials or citizens.

While this may seem incredible to many who have not had experience with a systematic handling of accounts, the experience of Montclair is only a repetition of the experience of every office where the

COST OF ACCURATE INFORMATION

method has been applied. It is not claimed that complete information can be produced with the same labor as no information. Usually, however, every transaction is recorded, but in such a way that only one statement may be produced. When another statement of facts is desired then the data must be reanalyzed. The usual result is that incomplete and inaccurate information is produced after much delay at a higher cost than would be necessary to produce complete, accurate information promptly.

GENERAL ACCOUNT

Assets		Liabilities and Reserves	
Cash:			
Treasurer	\$14,849.23	Immediate demands for cash:	
Other officials, petty cash and advances for payrolls (Schedule "A")	5,125.00	Vouchers payable	\$85,787.86
		Warrants drawn on treasurer	\$92,466.37
Taxes receivable (Schedule "B")	\$30,319.36	Less:	
Less—Reserve for uncollectible taxes	3,657.77	Warrants drawn in advance	\$9,466.37
		Accounts payable (title searches)	65.84
Tax sale certificates	26,061.68		
Assessments receivable (Schedule "C")	30.20	Temporary loans (note payable)	\$85,853.20
Advances	\$8,351.26	Reserve for assessments receivable	\$3,009.00
Local improvements (Schedule "D")	\$26,442.95	(not needed to meet obligations outstanding)	18,441.48
In suspense (Schedule "E")	3,188.00	Surplus:	
	\$1,030.95	Balance January 1, 1912	\$222,503.40
		Less: Excess of expenses over revenues (see below)	\$233,943.07
		Transfer to trust fund	1,416.78
	\$116,638.23		\$25,559.85
			\$18,856.45*
			\$116,638.23

Permanent Funds, Properties and Bonded Debt

Assets		Liabilities and Reserves	
Cash			
Treasurer	\$ 216.32	Immediate demands for cash:	
Cash and investments held by the Commissioners of the Sinking Fund (Schedule "F")	114,997.79	Vouchers payable	
Lands, buildings and equipment (Schedule "G")	1,223,522.85	Warrants drawn on treasurer	
		Interest for retirement of bonded debt	\$114,997.79
		Bonded debt (Schedule "H"):	
		School bonds	\$715,000.00
		General bonds	380,000.00
		Surplus: Funds, properties and equipment provided for out of revenue	1,093,000.00
			133,769.17
	\$1,343,766.96		\$1,343,766.96

Liabilities and Reserves

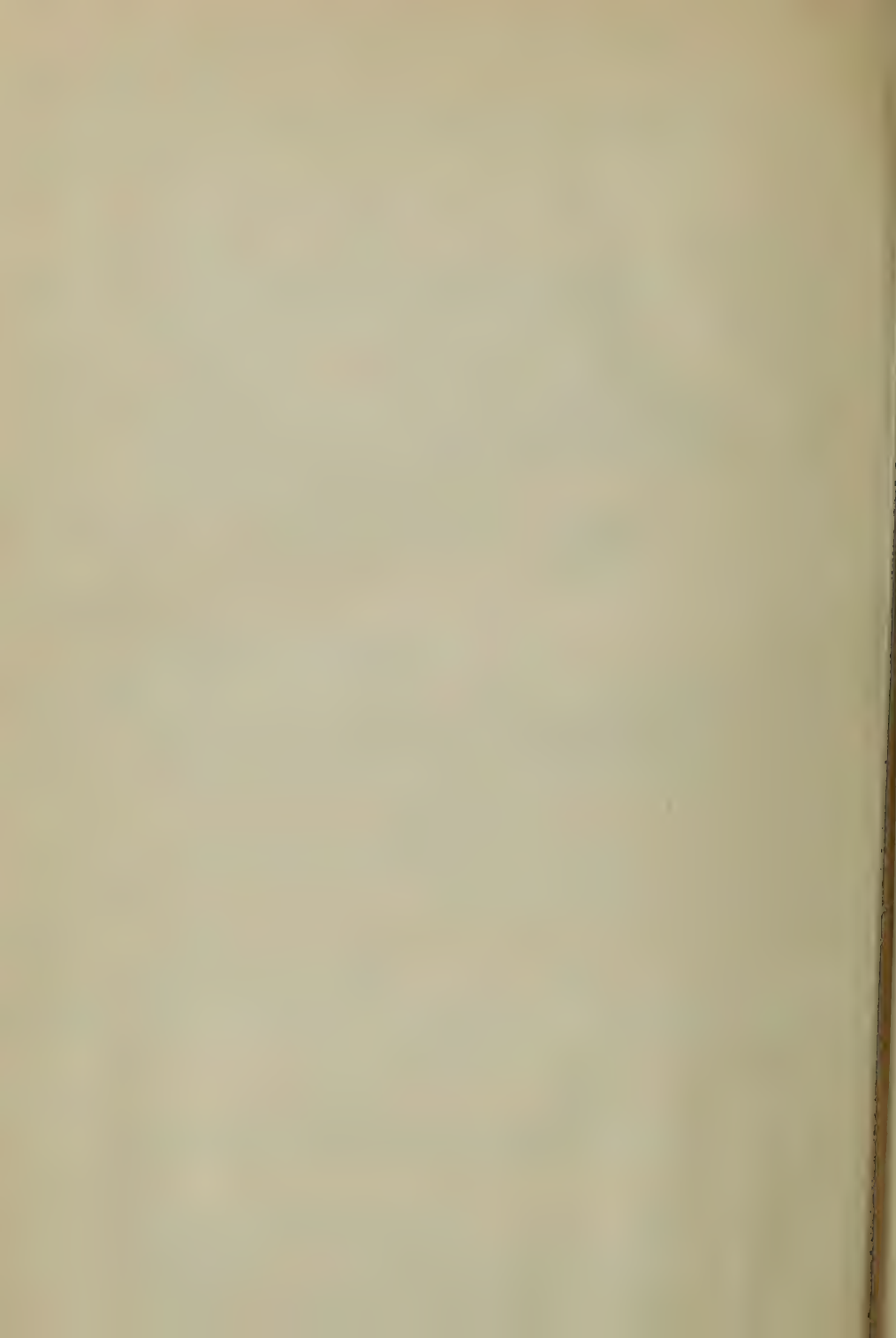
Assets		Liabilities and Reserves	
Cash:		Warrants drawn on treasurer	\$250.00
Treasurer.....	\$8,682 27	Reserve for trust funds (Schedule "I"):	
		Security deposits	\$2,460 00
		Police pension fund.....	6,972 27
			8,432 27
	<u>\$8,682 27</u>		<u>\$8,682 27</u>

Revenues:

Expenses:		Revenues:	
Town Supervisor's Department (Schedule "J")		Taxes, levy of 1918 (does not accrue until October)	
Police Department (Schedule "K")	\$98,055 84	Miscellaneous (Schedule "P")	\$98,373 19
Fire Department (Schedule "L")	29,387 07	Excess of expenses over revenues, carried to general account surplus*	\$98,373 19
Fire Department (Schedule "M")	29,341 01		
Fire Commission (Schedule "N")	6,735 16		
Four Department (Schedule "O")	3,652 16		
Miscellaneous offices and general expenses			
Schedule "Q")	160,026 26		
	<u>\$269,316 26</u>		
	\$269,316 26		
			<u>\$269,316 26</u>

* Up to October, when the tax levy is made, the surplus will be exceeded by the expenses.

Thereafter the surplus will be restored.



SCHEDULE "A"**THE TOWN OF MONTCLAIR, N. J.****Cash—Other Officials—July 31, 1912**

Chief of Police.....	\$ 50.00
Overseer of Poor.....	75.00
President, Shade Tree Commission.....	400.00
Town Clerk.....	100.00
Town Supervisor.....	4,500.00
Total.....	\$5,125.00

The town supervisor acts in the capacity of disbursing officer. To enable him to meet payrolls promptly, advances are made for which he renders an account, supported by vouchers in the form of receipted payrolls. The account current when audited serves as a voucher for reimbursement of the cash fund in the hands of the supervisor.

SCHEDULE "B"**THE TOWN OF MONTCLAIR, N. J.****Taxes Receivable—July 31, 1912****Taxes—**

Levy of 1894.....	\$ 3.26
Levy of 1895.....	3.25
Levy of 1896.....	6.60
Levy of 1897.....	3.08
Levy of 1898.....	168.48
Levy of 1899.....	516.80
Levy of 1900.....	590.58
Levy of 1901.....	887.80
Levy of 1902.....	1,164.80
Levy of 1903.....	144.00
Levy of 1904.....	280.34
Levy of 1905.....	274.80
Levy of 1906.....	189.00
Levy of 1907.....	339.10
Levy of 1908.....	463.50
Levy of 1909.....	2,780.15
Levy of 1910.....	3,391.15
Levy of 1911.....	19,112.67
Total.....	\$30,319.36

The balances of uncollected taxes, above shown, are carried in a subsidiary ledger and are supported in detail by items on tax rolls, which prove to the general ledger account. The tax rolls are kept in the office of the town collector.

SCHEDULE "C"

THE TOWN OF MONTCLAIR, N. J.

Assessments Receivable—July 31, 1912

County road.....	\$ 86.29	
Grove street, main sewer.....	3,861.42	
Lateral sewer.....	6,696.24	
Shade tree.....	3,630.23	
Sidewalk.....	1,251.20	
Snow and ice.....	2,222.93	
Storm sewer.....	504.00	
Street openings and improvements.....	1,457.47	
		<hr/>
		\$19,709.78
Main and outlet sewer.....	\$16,261.52	
Upper Montclair, main sewer.....	2,379.96	
		<hr/>
		18,641.48
		<hr/>
Total.....		\$38,351.26

This schedule represents the total uncollected for each class of improvements. These accounts are kept in the central office by the general bookkeeper. The individual assessment lists are kept in the office of the town collector and prove with the above balances.

SCHEDULE "D"

THE TOWN OF MONTCLAIR, N. J.

Advances for Local Improvements—July 31, 1912

	DR.	CR.
Alexander Avenue storm sewer.....	\$ 21.75	
Bay Street change of grade.....	38.30	
Bay Street main sewer.....	5.40	
Bloomfield Avenue repaving.....	5,653.04	
Bloomfield Avenue sewer connections....	1,132.82	
Brookfield Road walk.....	15.86	
Cedar Avenue walk.....	203.93	
Central Avenue macadam (sides).....	31.64	
Chestnut Avenue and Pine Street storm sewer.....	28.00	
Claremont Avenue macadam and gutter.	1,310.81	
Claremont Avenue and Pine Street storm sewer.....	112.96	
Cooper Avenue curb and gutters.....	956.28	
Cooper Avenue macadam (side).....	29.42	
Essex Avenue opening.....	5,915.56	
Grant Street lateral sewer.....		\$ 49.17
Grant Street opening.....	387.00	
Greenwood Avenue storm sewer.....	30.58	
Greenwood Avenue and Walnut Street storm sewer.....	21.00	
Grove Street change of grade.....	42.30	
Grove Street storm sewer.....	688.78	
Haddon Place macadam and curb.....	38.96	
Haddon Place walk.....	616.90	
High street concrete walk.....	254.32	
Highland Avenue extension.....	798.50	
Highland Avenue storm sewer.....	37.50	
Irving Street walk.....	16.12	
Jerome Place curb and gutter.....	16.12	
Lateral sewer construction.....		2,964.19
Llewellyn Road storm sewer.....	381.29	
Lorraine Avenue walk.....	194.76	
Macopin Avenue change of line.....	31.00	
Madison Avenue walk.....	72.68	
McDonough Street storm sewer.....	11.00	
McDonough Street walk.....	239.05	
North Fullerton Avenue lateral sewer....		48.58
North Sunset Park Road lateral sewer...	28.90	
North Willow Street concrete walk.....	13.40	
Forward.....	\$19,375.93	\$3,061.94

SCHEDULE "D" (Continued)

THE TOWN OF MONTCLAIR, N. J.

Advances for Local Improvements—July 31, 1912

	DR.	CR.
Forward.....	\$19,375.93	\$3,061.94
Orange Road repaving, grading and curb- ing Elm Street North.....	23.40	
Orange Road repaving, grading and curb- ing Elm Street South.....	22.88	
Pine Street vacation.....	108.18	
Pleasant Avenue walk.....	176.93	
Plymouth Street storm sewer.....	1,186.36	
Prospect Avenue walk.....	27.84	
Sherman Street opening.....	130.12	
Smith Avenue opening.....	2,098.05	
Stonebridge Road opening.....	218.24	
Storm water sewer construction.....		699.43
Summit Avenue Telford curb and gutters.....	2,121.02	
Tichenor Place grading.....		7.72
Undercliff Road and Eagle Rockway storm sewer.....	2,029.56	
Upper Mountain Avenue repaving.....	50.00	
Upper Mountain Avenue repaving, Clare- mont Avenue North.....	22.88	
Upper Mountain Avenue repaving, Clare- mont Avenue South.....	22.36	
Walnut Street storm sewer.....	20.54	
Warfield Street lateral sewer.....	2,294.90	
Warfield Street opening.....	1,939.03	
Warfield Street storm sewer.....	65.00	
Warfield Street walk, curb and gutter...	68.96	
Warren Place opening.....	193.48	
Willowdale Avenue walk.....	16.38	
Total advances, not yet assessed....	\$32,212.04	\$3,769.09
Less: Assessments levied in excess of advances to date.....	3,769.09	
Balance.....	\$28,442.95	

The current vouchers drawn for cost of local improvements are met by advances from the general fund surplus instead of being financed by borrowing. After each project is completed an assessment is made for the total cost, an entry then being made setting up the assessment and liquidating the advance. When the assessments are collected the general fund cash is reimbursed and the assessment account correspondingly reduced.

SCHEDULE "E"

THE TOWN OF MONTCLAIR, N. J.

Advances in Suspense—July 31, 1912

Bloomfield Township.....	\$ 619.60
Sewage disposal plant.....	2,568.40
Total.....	<u>\$3,188.00</u>

These are special advances paid out of general fund revenues, which may or may not be liquidated by assessments or funded by the issuance of bonds.

SCHEDULE "F"

THE TOWN OF MONTCLAIR, N. J.

**Cash and Investments Held by the Commissioners
of the Sinking Fund**

Cash:	
In bank.....	\$ 8,497.79
Investments:	
Sewer bonds (Montclair, N. J.)...	\$59,000.00
Town bonds, School District No. 8 (Montclair, N. J.).....	27,500.00
Town School Bonds of 1909 (Mont- clair, N. J.).....	20,000.00
	<u>106,500.00</u>
Total.....	<u>\$114,997.79</u>

SCHEDULE "G"

THE TOWN OF MONTCLAIR, N. J.

Lands, Buildings and Equipment—July 31, 1912

Real estate and town property.....	\$340,313.02
Public parks.....	136,745.74
Fire houses and land.....	73,913.95
Special improvement (schools).....	8,000.00
Montclair Heights School.....	3,750.00
Central heating plant (schools).....	37,500.00
Cedar Avenue School.....	82,000.00
Maple Avenue School.....	28,000.00
Watchung Avenue School.....	41,000.00
Mt. Hebron School.....	2,843.75
Hillside Avenue School.....	222,186.89
Portable school buildings.....	8,000.00
Lorraine Avenue School.....	131,300.00
School furnishings.....	24,500.00
Heating improvements (schools).....	27,250.00
Grove Street School.....	25,000.00
Edgemont Avenue School lot.....	22,000.00
Burgess Lot (school).....	14,250.00
Total.....	\$1,228,552.85

A new inventory of the town property, compiled by a committee appointed by the mayor under the authorization of the council is at present being considered by the finance committee of the council. When action has been taken by the council the above schedule will be superseded.

SCHEDULE "H"

THE TOWN OF MONTCLAIR, N. J.

Bonded Debt—July 31, 1912

SCHOOL BONDS:

Town bonds, issue of School District No. 8, due May 1, 1913.....	\$27,500.00	
Town bonds, Watchung Avenue School, serial due July 1, 1913.....	1,000.00	
Township School District No. 10, serial, \$1,000 per annum, November 1, 1912, to November 1, 1921.....	10,000.00	
Town bonds, School District No. 8, renewals, due July 1, 1932.....	100,000.00	
Town school funding bonds, due November 1, 1938.....	145,000.00	
Town school bonds, due May 1, 1939.....	291,250.00	
Town school funding bonds, due February 1, 1941.....	66,000.00	
Town school bonds, due October 1, 1941....	74,250.00	
		\$715,000.00

GENERAL BONDS:

Township railroad bonds, serial, \$15,000 per annum, November 1, 1912, to November 1, 1918.....	\$105,000.00	
Town fire house bonds, due April 1, 1921....	40,000.00	
Town fire house bonds, due February 1, 1929.	35,000.00	
Town park bonds, due June 30, 1931.....	100,000.00	
Township of Montclair, sewer bonds, due May 1, 1913.....	100,000.00	
		380,000.00
Total.....		\$1,095,000.00

SCHEDULE "I"

THE TOWN OF MONTCLAIR, N. J.
Trust Funds—July 31, 1912

DEPOSITS—LATERAL SEWER CONSTRUCTION

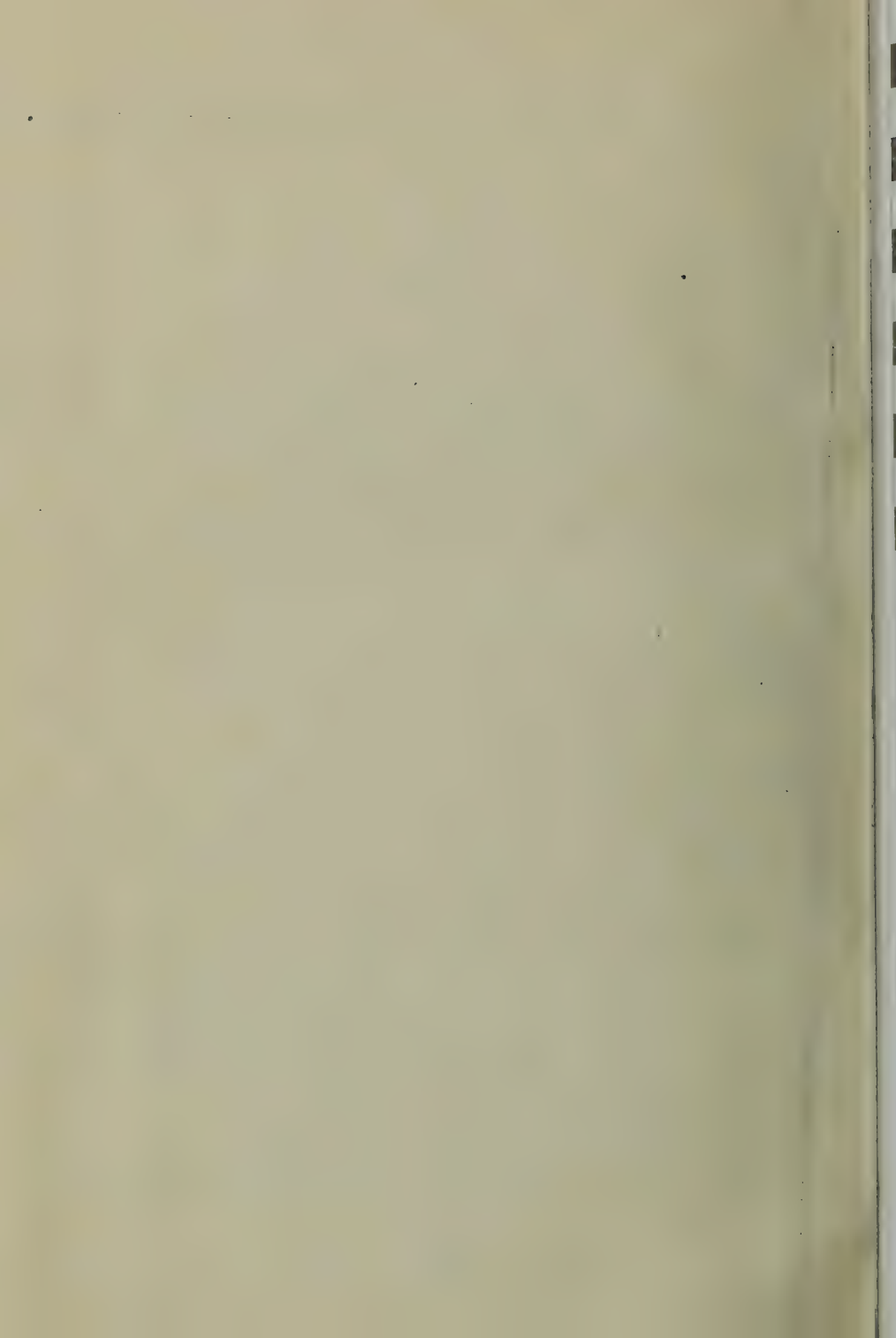
1908	June 23	Montclair Trust Co.	\$50.00
	Aug. 12	N. H. Power	50.00
	Oct. 26	The Modern Building Co.	50.00
1909	May 19	Laurel Canningham	50.00
1912	May 12	Helen Esther Marsh	50.00
			\$250.00

DEPOSITS—STREET OPENINGS AND IMPROVEMENTS

1907	Mar. 24	C. F. Hinck	\$100.00
	Oct. 14	T. H. Taylor	50.00
1910	Mar. 31	E. B. Osborne	100.00
	May 6	W. H. Power	500.00
	Sept. 29	S. Wright, Jr.	100.00
	Oct. 4	W. H. Knapp	25.00
	Oct. 4	Sara Thien	25.00
	Oct. 4	Sara Thien, for M. Betner	25.00
	Oct. 4	John T. Speer	25.00
1911	April 26	Chas. B. Travis	50.00
	May 24	L. Hansen	50.00
	June 24	R. D. Owen	100.00
	July 28	L. E. W. R. Co.	100.00
1912	Feb. 15	Frank A. Hall & Sops.	200.00
	April 10	E. D. Kearney	40.00
	April 10	H. J. Brady	20.00
	April 10	F. F. F.	20.00
	April 10	H. C. Mead	100.00
	June 15	A. R. Peterson	1,650.00

SECURITY DEPOSITS—STREET OPENINGS FOR
SEWER CONNECTIONS

1894	June 29	James B. Dyer	\$10.00
	Sept. 3	J. S. Francis	10.00
	Sept. 3	John H. Taylor	10.00
	Sept. 3	John F. Simpson	10.00
	Oct. 31	Fred Fass	10.00
1895	Jan. 5	Owen Feeny	10.00
1897	April 3	A. Hoffman	10.00
1904	June 11	J. F. Gray	10.00
	Dec. 2	A. E. McDermott	10.00
	Dec. 28	B. T. Garabrad	10.00
	Dec. 28	James B. Durr	10.00
	Dec. 28	J. J. Kaveney	10.00
	Dec. 28	Alex. McGregor	10.00
	Dec. 28	Hayes & Kierstead	10.00
	Dec. 28	Gasser & Williams	10.00
1905	Jan. 5	Carl Fenzlaff	10.00
	May 1	C. J. Groh	10.00
	May 17	C. J. Samuel	10.00
1906	Mar. 26	E. D. Ackerman	10.00
1907	Sept. 26	John W. Noble	10.00
1908	Jan. 24	Wm. E. Noble	10.00
	Jan. 24	M. F. Shanagher	10.00
	July 14	Wrench & B. P. & S. H. Co.	10.00
	Nov. 19	John E. Ripper	10.00
Forward			\$240.00
			\$1,900.00

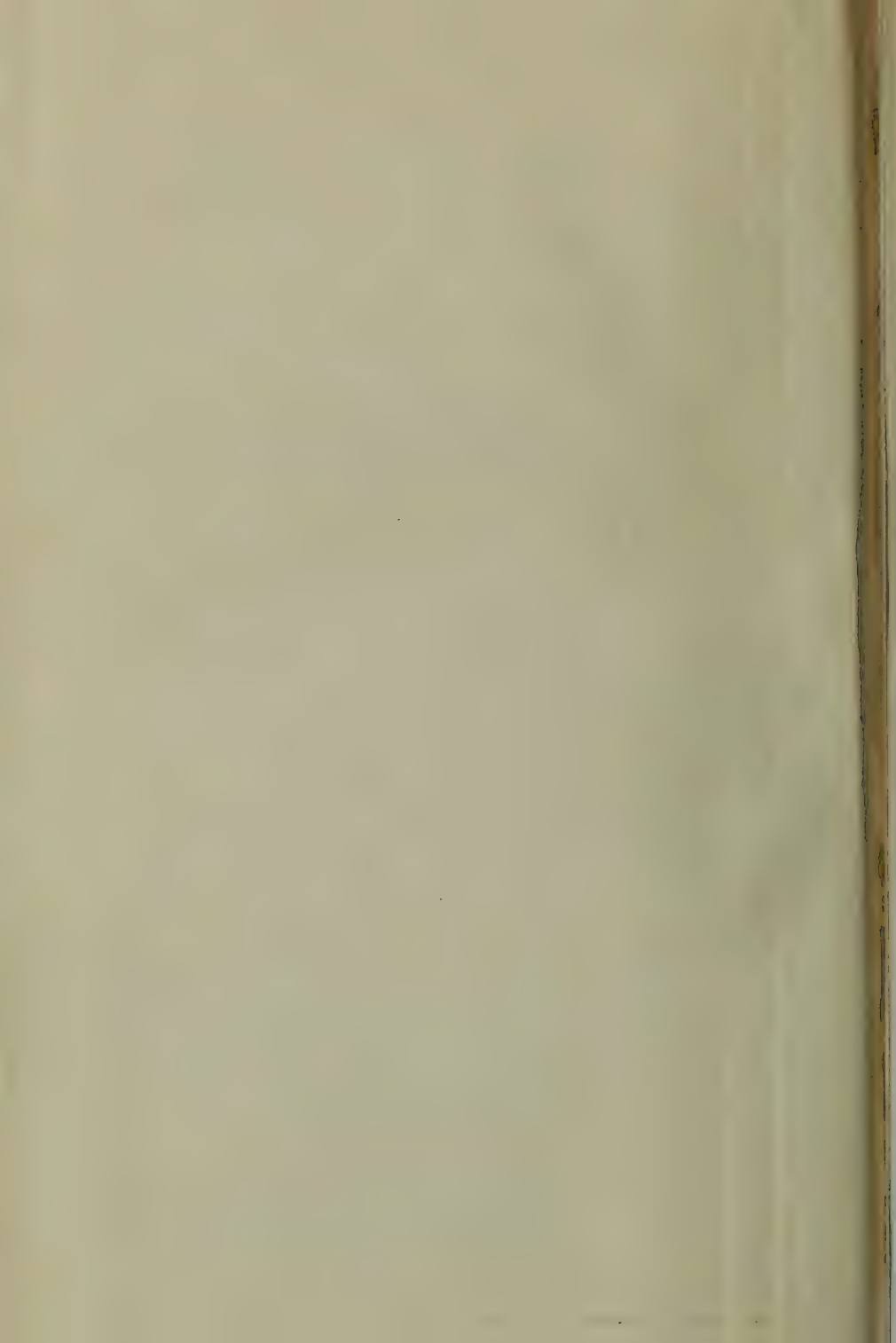


SCHEDULE "1" (Continued)

THE TOWN OF MONTCLAIR, N. J.

Trust Funds—July 31, 1912

Forward.....		\$240.00	\$1,900.00
1909	Feb. 27	Otto Klein.....	10.00
	Mar. 31	Frank Romaine.....	10.00
	July 31	Peter Boone.....	10.00
	Dec. 16	Ed. D. Kearney.....	10.00
1910	Mar. 16	W. E. Fay.....	10.00
	April 15	G. M. Johnstone.....	10.00
	April 30	Ernest Bros.....	10.00
1911	April 13	W. Harry Jackson.....	10.00
	April 26	F. W. Gibbs Contracting Co.....	10.00
	May 12	Leonardo Barbetta.....	10.00
	May 13	E. Ed. Myers.....	10.00
	May 17	Reeder Speer Co.....	10.00
	May 24	Reeder Construction Co.....	10.00
	May 24	Thomas Wood.....	10.00
	May 31	Schuler Const. Co.....	10.00
	May 31	F. W. Myers Co.....	10.00
	June 16	Chas. L. Pitts Co.....	10.00
	June 29	Jos. A. Marley.....	10.00
	July 5	Upper Montclair H. & P. Co.....	10.00
	July 5	Kneipner & Frenz.....	10.00
	Aug. 31	F. P. Merkle.....	10.00
	Nov. 2	Chas. Hemhauser.....	10.00
Deposit, Montclair & Bloomfield Telephone Co.....		460.00	
Police Pension Fund:		100.00	\$2,460.00
Balance January 1, 1912.....			\$5,095.75
Receipts.....			
Appropriation for 1912.....		\$1,100.00	
1% of 1912 salaries.....		269.17	
1% of back salaries.....		4.61	
Fines of policemen.....		5.00	
Interest on bank deposits.....		104.74	
		1,526.52	
Disbursements:			
Thos. Noom, pension for 1912.....		\$6,632.27	
Thos. Noom, balance of pension for 1911.....		\$600.00	
		50.00	
Total.....		650.00	5,972.27
			\$8,492.27



Report of expenses for the Month ended July 31, 1912, and accumulated totals to date for the current year, with comparative totals for corresponding period last year, showing increases and decreases and average costs per month in this year to date and for the corresponding period last year and for the entire period last year.

CLASSIFICATION	Total Cost for 6 Months June 30, 1912 (per last report)	Cost Current Month	Total Cost for 7 Months July 31, 1912 (current year to date)	Total Cost for 6 Months June 30, 1912 (per last report)	Increase	Decrease	Average Cost per Month Current Year	Average Cost per Month Preceding Year
GENERAL ADMINISTRATION:								
Salaries—clerk	\$553.33	\$125.00	\$678.33	\$553.33				
Supplies—clerk	65.00	31.19	96.19	65.00				
Compensation for repairs	65.00	65.00	130.00	65.00				
Office supplies and fixtures	56.25	6.00	62.25	56.25				
Printing and stationery	124.00	17.30	141.30	124.00				
Telephone	130.00	4.02	134.02	130.00				
Automobile supplies	30.05	11.29	41.34	30.05				
Car tires, lubricating and repairs	30.05	11.29	41.34	30.05				
Utilities and phone—clerk, catch-basins, etc.	560.45	500.45	1,060.90	560.45				
Subcontract fees	82.55	100.67	183.22	82.55				
STREETWORKS:								
Crosswalks and Bridges—								
Labor—	98.25	10.95	109.20	98.25				
Hire of horses and carts	36.05	9.60	45.65	36.05				
Materials—	31.06		31.06	31.06				
Operations:								
Cleaning—								
Roads, Crosswalks, and Bridges—								
Hire of horses and carts	51,138.86	37.70	51,176.56	51,138.86				
Hire of horses and carts	1,000.85	15.62	1,016.47	1,000.85				
Supplies	36.00	80.00	116.00	36.00				
Supervision	36.00	1.00	37.00	36.00				
Painting and cleaning crosswalks	10.80	3.02	13.82	10.80				
Cutting crosswalks and cleaning material	64.00		64.00	64.00				
Sprinkling	100.35	14.38	114.73	100.35				
Hire of teams	34.50		34.50	34.50				
Oiling	125.13	58.97	184.10	125.13				
Labor—	838.16	4,079.88	4,918.04	838.16				
Repairs and supplies								
Materials—								
Labor—	515.13	207.82	722.95	515.13				
Hire of horses and carts	568.92	513.31	1,082.23	568.92				
Materials, etc.	70.31	59.40	129.71	70.31				
Crosswalk painting and maintenance	135.88	160.20	296.08	135.88				
Labor—	431.01	5.50	436.51	431.01				
Hire of horses and carts	110.22	55.38	165.60	110.22				
Materials	12.50		12.50	12.50				
SEWERAGE:								
Collection—								
Inspection of sewer connections—labor	\$277.16	16.13	\$293.29	\$277.16				
Catch-basins—								
Labor—	6.25	18.10	24.35	6.25				
Materials	4.50		4.50	4.50				
Operations:								
Cleaning—								
Sanitary Sewers: Flushing and Cleaning								
Hire of horses and carts	842.92	356.14	1,199.06	842.92				
Supplies	144.08	41.45	185.53	144.08				
Supervision	537.87	15.99	553.86	537.87				
Storm Sewers: Flushing and Cleaning								
Labor—	1,083.64	138.18	1,221.82	1,083.64				
Hire of horses and carts	76.00	76.00	152.00	76.00				
Supplies, tools, etc.	242.50		242.50	242.50				
Damage due to overflow								
Sanitary Sewers—								
Main and outlet sewer maintenance	48.26		48.26	48.26				
Materials	115.08	421.85	536.93	115.08				
Labor—	99.50	14.35	113.85	99.50				
Catch-b								

THE TOWN OF MONTCLAIR

Department or Office POLICE

SCHEDULE "K"

Report of expenses for the Month ended July 31, 1912, and accumulated totals to date for the current year, with comparative totals for corresponding period last year, showing increases and decreases and average costs per month this year to date and for the corresponding period last year and for the entire period last year.

CLASSIFICATION	Total Cost for 6 Months Ended June 30, 1912 (per last report)	Cost for Current Month	Total Cost for 7 Months Ended July 31, 1912 (current year to date)	Total Cost for 6 Months ended July 31, 1911 (comparing year)	Increase	Decrease	Average Cost per Month Current Year	Average Cost per Month for the First 6 Months Preceding Year	Average Cost per Month for Entire Preceding Year
SALARIES:									
Chief.....	\$1,237.50	\$206.25	\$1,443.75	.....	.....	.....	.....	.....	.....
Sergeants.....	2,772.00	462.00	3,234.00	.....	.....	.....	.....	.....	.....
Roundsmen and patrolmen.....	9,431.25	1,966.63	11,397.90	.....	.....	.....	.....	.....	.....
Chancemen.....	1,618.67	185.00	1,803.67	.....	.....	.....	.....	.....	.....
Back pay of patrolmen.....	4,165.64	.....	4,165.64	.....	.....	.....	.....	.....	.....
Rent of telephone system.....	528.00	.....	528.00	.....	.....	.....	.....	.....	.....
REPAIRS AND RENEWALS:									
Police station building.....	350.00	.....	350.00	.....	.....	.....	.....	.....	.....
Equipment—bicycles, etc.....	60.55	9.00	69.55	.....	.....	.....	.....	.....	.....
LIGHT AND HEAT:									
Coal.....	104.00	.....	104.00	.....	.....	.....	.....	.....	.....
Gas.....	36.55	3.90	40.45	.....	.....	.....	.....	.....	.....
Electricity.....	86.40	13.10	99.50	.....	.....	.....	.....	.....	.....
Stationery, printing and papers.....	178.67	8.59	187.26	.....	.....	.....	.....	.....	.....
Medical services.....	84.00	.....	84.00	.....	.....	.....	.....	.....	.....
Furniture and fixtures.....	63.30	.....	63.30	.....	.....	.....	.....	.....	.....
Miscellaneous supplies and expenses.....	50.00	.....	50.00	.....	.....	.....	.....	.....	.....
Hack and auto hire.....	26.75	.....	26.75	.....	.....	.....	.....	.....	.....
Chief's contingent expenses, etc.....	279.30	50.00	329.30	.....	.....	.....	.....	.....	.....
	\$21,072.58	\$2,814.19	\$23,887.07	.....	.....	.....	.....	.....	.....

These columns are not used at the present time for the reason that the accounts have not been in operation a sufficient length of time to provide the data required to make comparison.

THE TOWN OF MONTCLAIRE
Department or Office—FIRE

Report of expenses for the Month ended July 31, 1912, and accumulated totals to date for the current year, with comparative totals for corresponding period last year, showing increases and decreases and average costs per month this year to date and for the corresponding period last year and for the entire period last year and for the entire period last year.

CLASSIFICATION	Total Cost for Month ended June 30, 1912 (from last report)	Cost for Current Month (from last report)	Total Cost for Month ended July 31, 1912 (to date)	Total Cost for Month ended June 30, 1911 (from last report)	Increase	Decrease	Average Cost for Month Current Year	Average Cost for Month Preceding Year
SALARIES:								
Chief and assistant engineers.....	4659 00	\$308 84	\$508 84	4718 84	.....	.....	.....	.....
Boiler.....	7,812 11	1,822 00	9,634 11	8,337 11	.....	.....	.....	.....
Clerk.....	1,861 99	.....	1,861 99	1,861 99	.....	.....	.....	.....
.....	89 80	.....	89 80	89 80	.....	.....	.....	.....
AUTOMOBILE SUPPLIES:								
Gasoline.....	.....	8 46	8 46	.....	.....	.....	.....	.....
Oil.....	.....	4 30	4 30	.....	.....	.....	.....	.....
.....	.....	.72	.72	.....	.....	.....	.....	.....
STABLE EXPENSE:								
Horse No. 1.....	510 30	140 00	650 30	600 30	.....	.....	.....	.....
.....	35 50	.....	35 50	35 50	.....	.....	.....	.....
.....	25 50	.....	25 50	25 50	.....	.....	.....	.....
Horse No. 2.....	198 10	33 92	232 02	231 02	.....	.....	.....	.....
Horse No. 3.....	44 35	14 00	58 35	58 35	.....	.....	.....	.....
Horse No. 4.....	168 38	22 80	191 18	191 18	.....	.....	.....	.....
Horse No. 5.....	36 35	7 00	43 35	43 35	.....	.....	.....	.....
Horse No. 6.....	316 75	98 48	415 23	415 23	.....	.....	.....	.....
Horse No. 7.....	12 60	5 50	18 10	18 10	.....	.....	.....	.....
Horse No. 8.....	137 04	30 98	168 02	168 02	.....	.....	.....	.....
Horse No. 9.....	30 50	10 00	40 50	40 50	.....	.....	.....	.....
SUPPLIES FOR FIRE FIGHTING:								
Hose No. 1.....	8 50	.....	8 50	8 50	.....	.....	.....	.....
Hose No. 2.....	1 50	.....	1 50	1 50	.....	.....	.....	.....
Hose No. 3.....	60 50	.....	60 50	60 50	.....	.....	.....	.....
Buckshot extinguishers.....	.....	.....	.....	.....	.....	.....	.....	.....
REPAIRS AND RENEWALS:								
Horse No. 1.....	83 10	9 50	92 60	92 60	.....	.....	.....	.....
Horse No. 2.....	99 00	3 10	102 10	102 10	.....	.....	.....	.....
Horse No. 3.....	95 01	.....	95 01	95 01	.....	.....	.....	.....
Horse No. 4.....	35 50	4 10	39 60	39 60	.....	.....	.....	.....
Horse No. 5.....	5 80	9 65	15 45	15 45	.....	.....	.....	.....
Horse No. 6.....	104 30	.....	104 30	104 30	.....	.....	.....	.....
Horse No. 7.....	34 90	7 20	42 10	42 10	.....	.....	.....	.....
Horse No. 8.....	19 13	.....	19 13	19 13	.....	.....	.....	.....
Horse No. 9.....	1 10	306 84	307 94	307 94	.....	.....	.....	.....
Horse No. 10.....	1 10	.....	1 10	1 10	.....	.....	.....	.....
Horse No. 11.....	19 20	5 00	24 20	24 20	.....	.....	.....	.....
Horse No. 12.....	7 25	.....	7 25	7 25	.....	.....	.....	.....
Horse No. 13.....	.50	.....	.50	.50	.....	.....	.....	.....
ADDITIONAL NEW EQUIPMENT:								
Automobile.....	5,000 00	.....	5,000 00	5,000 00	.....	.....	.....	.....
Automobile horse wagon.....	8,500 00	8 00	8,508 00	8,508 00	.....	.....	.....	.....
MISCELLANEOUS EXPENSE:								
Printing and stationery.....	10 85	.30	11 15	11 15	.....	.....	.....	.....
Cleaning system.....	14 50	17 00	31 50	31 50	.....	.....	.....	.....
Laundry.....	21 70	9 66	31 36	31 36	.....	.....	.....	.....
Oil.....	23 50	4 45	27 95	27 95	.....	.....	.....	.....
.....	58 90	.....	58 90	58 90	.....	.....	.....	.....
.....	384 90	.....	384 90	384 90	.....	.....	.....	.....
Men's expenses to Elmhurst for instruction in.....	900 00	.....	900 00	900 00	.....	.....	.....	.....
Medical inspection of new men.....	12 00	.....	12 00	12 00	.....	.....	.....	.....
Other.....	1 80	24 28	26 08	26 08	.....	.....	.....	.....
TOTAL	\$86,748 85	\$2,591 98	\$89,340 83	\$89,341 91				

The columns are not used at the present time for the reason that the reports have not been prepared sufficient length of time to provide the data required to indicate comparison.

SCHEDULE "M"

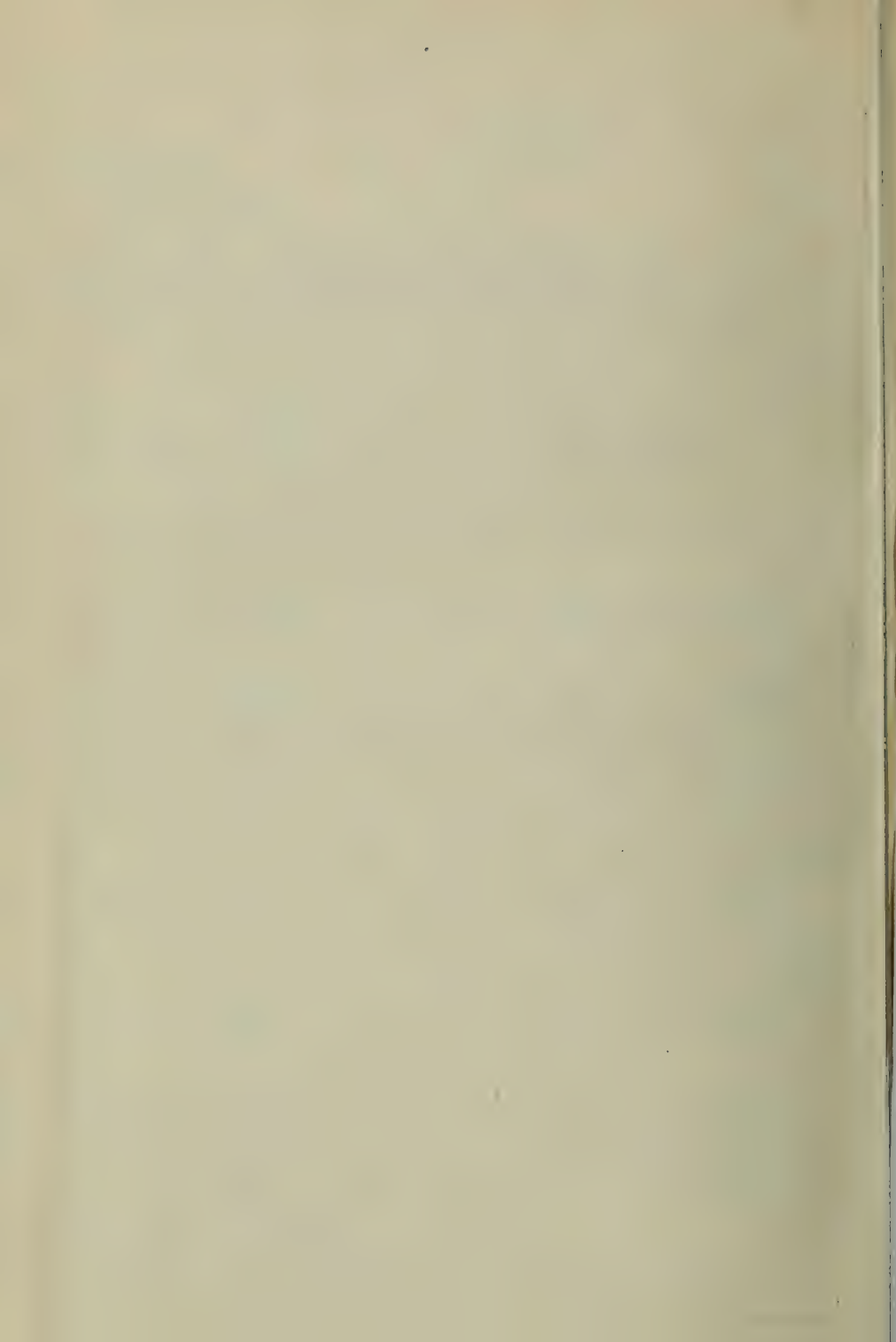
THE TOWN OF MONTCLAIR

Department or Office—SHADE TREE COMMISSION

Report of expenses for the Month ended July 31, 1912, and accumulated totals to date for the current year, with comparative totals for corresponding period last year, showing increases and decreases and average costs per month this year to date and for the corresponding period last year and for the entire period last year.

CLASSIFICATION	Total Cost for 6 Months Ended June 30, 1912 (per last report)	Cost for Current Month	Total Cost for 7 Months Ended July 31, 1912 (current year to date)	Total Cost for 7 Months Ended.....1911 preceding year)	Increase	Decrease	Average Cost per Month Current Year	Average Cost per Month for the First.....Months Preceding Year	Average Cost per Month for Entire Preceding Year
Salary of secretary.....	\$699 96	\$116 06	\$816 02	.....	.....	.....	.....	.....	.....
SPRAYING:									
Labor.....	585 10	1 92	587 02	.....	.....	.....	.....	.....	.....
Hire of horse and wagon.....	105 00	.....	105 00	.....	.....	.....	.....	.....	.....
Supplies.....	302 49	.....	302 49	.....	.....	.....	.....	.....	.....
PRUNING:									
Labor.....	754 13	288 45	1,042 58	.....	.....	.....	.....	.....	.....
Hire of horse and wagon.....	78 29	28 50	106 79	.....	.....	.....	.....	.....	.....
Supplies.....	53 83	7 48	61 31	.....	.....	.....	.....	.....	.....
REPLACING TREES:									
Labor.....	85 35	.....	85 35	.....	.....	.....	.....	.....	.....
Hire of horse and wagon.....	17 50	.....	17 50	.....	.....	.....	.....	.....	.....
Supplies—trees.....	211 75	180 42	392 17	.....	.....	.....	.....	.....	.....
Removing dead trees.....	10 18	.....	10 18	.....	.....	.....	.....	.....	.....
MULCHING, WATERING AND FERTILIZING:									
Labor.....	54 61	80 26	134 87	.....	.....	.....	.....	.....	.....
Hire of horse and wagon.....	3 00	9 00	12 00	.....	.....	.....	.....	.....	.....
Equipment and tools.....	8 96	.....	8 96	.....	.....	.....	.....	.....	.....
MISCELLANEOUS SUPPLIES AND EXPENSES:									
Advertising.....	12 48	.....	12 48	.....	.....	.....	.....	.....	.....
Printing and stationery.....	33 70	.....	33 70	.....	.....	.....	.....	.....	.....
Other.....	13 28	185 10	198 38	.....	.....	.....	.....	.....	.....
ASSESSMENT WORK (Planting):									
Labor.....	766 02	.....	766 02	.....	.....	.....	.....	.....	.....
Hire of horse and wagon.....	231 31	.....	231 31	.....	.....	.....	.....	.....	.....
Trees.....	.....	1,513 58	1,513 58	.....	.....	.....	.....	.....	.....
Stakes and paint.....	180 34	.....	180 34	.....	.....	.....	.....	.....	.....
Wire.....	127 30	.....	127 30	.....	.....	.....	.....	.....	.....
Compost pile.....	5 32	11 85	17 17	.....	.....	.....	.....	.....	.....
Fertilizer.....	20 00	.....	20 00	.....	.....	.....	.....	.....	.....
	\$4,320 30	\$2,423 22	\$6,753 02	.....	.....	.....	.....	.....	.....

These columns are not used at the present time for the reason that the accounts have not been in operation a sufficient length of time to provide the data required to make a just comparison.



SCHEDULE "N"

THE TOWN OF MONTCLAIR

Department or Office—POOR

Report of expenses for the Month ended July 31, 1912, and accumulated totals to date for the current year, with comparative totals for corresponding period last year, showing increases and decreases and average costs per month this year to date and for the corresponding period last year and for the entire period last year.

CLASSIFICATION	Total Cost for 6 Months Ended June 30, 1912 (per last report)	Cost for Current Month	Total Cost for 7 Months Ended July 31, 1912 (current year to date)	Total Cost for 7 Months Ended July 31, 1911 (preceding year)	Increase	Decrease	Average Cost per Month Current Year	Average Cost per Month for the First 6 Months Preceding Year	Average Cost per Month for Entire Preceding Year
Salary—Overseer of the Poor.....	\$500.00	\$50.00	\$550.00	.....	.....	.....	.....	.....	.....
OUTDOOR RELIEF:									
Food.....	600.43	109.05	799.48	.....	.....	.....	.....	.....	.....
Fuel and light.....	149.15	.....	149.15	.....	.....	.....	.....	.....	.....
Rent and transportation, etc.....	582.16	54.00	436.16	.....	.....	.....	.....	.....	.....
Clothing.....	62.20	.....	62.20	.....	.....	.....	.....	.....	.....
Medical services.....	72.50	.....	72.50	.....	.....	.....	.....	.....	.....
Drugs.....	9.15	.....	9.15	.....	.....	.....	.....	.....	.....
Burial.....	10.00	.....	10.00	.....	.....	.....	.....	.....	.....
Other.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
INDOOR RELIEF:									
Poor house.....	1,005.41	442.28	1,537.00	.....	.....	.....	.....	.....	.....
Hospitals.....	148.75	.....	148.75	.....	.....	.....	.....	.....	.....
N. J. State Board Children's Guardians.....	68.60	8.58	67.08	.....	.....	.....	.....	.....	.....
MISCELLANEOUS SUPPLIES AND EXPENSES:									
Stationery and printing.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Justice fees.....	5.00	.....	5.00	.....	.....	.....	.....	.....	.....
Hack hire.....	5.00	.....	5.00	.....	.....	.....	.....	.....	.....
Care of cemetery lot.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
	\$2,988.25	\$603.91	\$3,652.16	.....	.....	.....	.....	.....	.....

These columns are not used at the present time for the reason that the accounts have not been in operation a sufficient length of time to provide the data required to institute comparison.

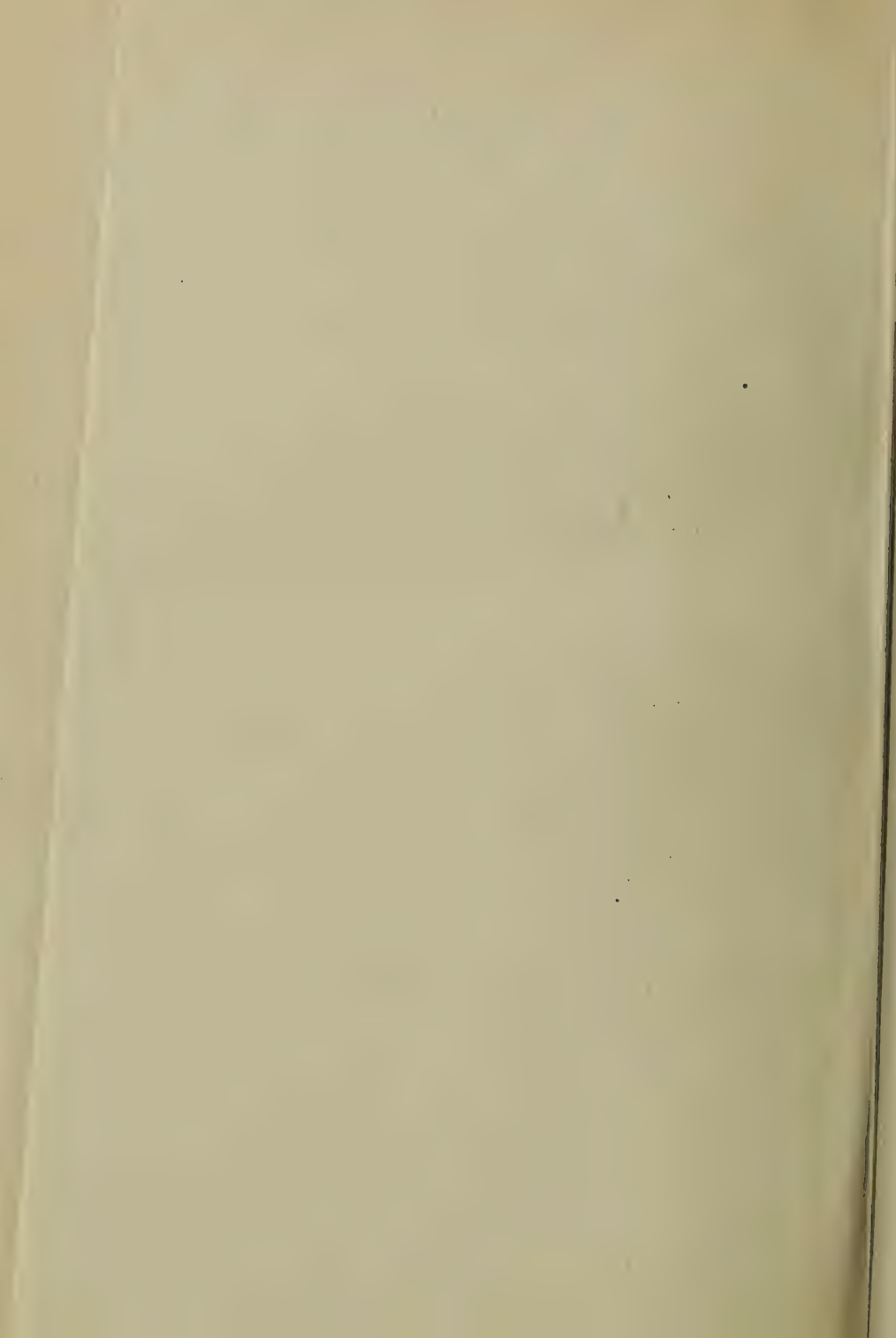
THE TOWN OF MONTCLAIR

Department or Office—MISCELLANEOUS OFFICES AND GENERAL EXPENSES

Report of expenses for the Month ended July 31, 1912, and accumulated totals to date for the current year, with comparative totals for corresponding period last year, showing increases and decreases and average costs per month this year to date and for the corresponding period last year and for the entire period last year.

CLASSIFICATION	Total Cost for 6 Months June 30, 1912 (per report)	Cost Current Month	Total Cost for 7 Months (for July 31, 1912 (current year to date))	Total Cost for 7 Months (for preceding year)	Increase	Decrease	Average Cost per Month for Current Year	Average Cost per Month for Preceding Year
Mayor's Office:								
Salary of Mayor.....	\$400 00	\$88 34	\$888 34	.....	.....	.....	.....	.....
Printing and stationery.....	83 75	42 28	1,054 03	.....	.....	.....	.....	.....
Town Council:								
Salaries of councilmen.....	31 71	39 46	507 63	.....	.....	.....	.....	.....
Printing and stationery.....	468 17	.....	.....	.....	.....	.....	.....	.....
Town Clerk's Office:								
Salary of Town Clerk.....	1,750 00	591 67	2,041 67	.....	.....	.....	.....	.....
Bookkeeper's salary.....	29 77	27 20	186 39	.....	.....	.....	.....	.....
Hack and dog license tax, etc.....	73 75	73 75	73 75	.....	.....	.....	.....	.....
Miscellaneous.....	100 00	.....	100 00	.....	.....	.....	.....	.....
Town Collector:								
Salary of Town Collector.....	7 20	.....	7 20	.....	.....	.....	.....	.....
Printing and stationery.....	46 35	9 00	155 35	.....	.....	.....	.....	.....
Postage.....	100 00	.....	100 00	.....	.....	.....	.....	.....
Town Treasurer:								
Salary of Treasurer.....	1,850 00	508 34	1,458 34	.....	.....	.....	.....	.....
Printing and stationery.....	18 55	539 35	877 60	.....	.....	.....	.....	.....
Advertisements.....	.....	51 32	51 32	.....	.....	.....	.....	.....
Town Attorney:								
Salary of Attorney.....	1,550 00	508 34	1,458 34	.....	.....	.....	.....	.....
Special legal services.....	75 91	.....	75 91	.....	.....	.....	.....	.....
Recorder's Office:								
Salary of Recorder.....	300 00	50 00	350 00	.....	.....	.....	.....	.....
Town Screavison's Office:								
Salary of Supervisor.....	1,008 57	250 00	1,558 57	.....	.....	.....	.....	.....
Printing and stationery.....	6 15	.....	6 15	.....	.....	.....	.....	.....
Board of Assessors:								
Printing and stationery.....	2,400 00	416 67	2,916 67	.....	.....	.....	.....	.....
Printing and stationery.....	39 60	31 50	.....	.....	.....	.....	.....	.....
Printing and carriage hire.....	9 10	.....	9 10	.....	.....	.....	.....	.....
Advertising.....	9 10	25 00	45 00	.....	.....	.....	.....	.....
Miscellaneous.....	.....	.....	.....	.....	.....	.....	.....	.....
Bureau of Inspectors:								
Office supplies, printing and stationery.....	1,550 00	908 34	1,458 34	.....	.....	.....	.....	.....
Carfare.....	108 97	78 54	187 51	.....	.....	.....	.....	.....
Miscellaneous.....	3 95	2 50	.....	.....	.....	.....	.....	.....
Miscellaneous.....	7 08	7 75	7 83	.....	.....	.....	.....	.....
Commissioners of Sinking Fund:								
Salary of clerk.....	50 00	.....	50 00	.....	.....	.....	.....	.....
Election Expenses:								
Miscellaneous advertisements.....	481 88	.....	481 88	.....	.....	.....	.....	.....
General Expense:								
Legals and fees.....	1,150 35	1,079 98	.....	.....	.....	.....	.....	.....
Legals and fees.....	103 60	13 80	117 40	.....	.....	.....	.....	.....
Stationery.....	935 75	935 75	935 75	.....	.....	.....	.....	.....
Stationery bound.....	935 75	.....	.....	.....	.....	.....	.....	.....
Tax maps, printing, binding, etc.....	935 50	.....	.....	.....	.....	.....	.....	.....
Printing and stationery.....	4 50	.....	.....	.....	.....	.....	.....	.....
Additional new equipment.....	4 50	.....	.....	.....	.....	.....	.....	.....
Expenses during "strike".....	95 00	.....	.....	.....	.....	.....	.....	.....
Contingent expenses.....	100 00	100 00	100 00	.....	.....	.....	.....	.....
Interest on bonds payable, taxes, assessments and deposits.....	365 98	164 15	530 13	.....	.....	.....	.....	.....
Miscellaneous.....	543 91	548 91	.....	.....	.....	.....	.....	.....
Miscellaneous Disbursements:								
Water supply.....	17 576 00	2,906 50	29,542 70	.....	.....	.....	.....	.....
Free Public Library.....	7,517 84	.....	7,517 84	.....	.....	.....	.....	.....
Board of Education.....	6,644 10	1,550 01	8,194 11	.....	.....	.....	.....	.....
Board of Education.....	50,000 00	50,000 00	70,000 00	.....	.....	.....	.....	.....
Shifting on bond town debt.....	5,000 00	.....	.....	.....	.....	.....	.....	.....
Shifting on bond town debt.....	1,000 00	.....	.....	.....	.....	.....	.....	.....
Memorial day observance.....	100 00	100 00	100 00	.....	.....	.....	.....	.....
Shade tree investments.....	2,334 00	.....	.....	.....	.....	.....	.....	.....
Shade tree investments cancelled.....	83 40	300 00	2,334 40	.....	.....	.....	.....	.....
Municipal Building, Valley Road and Bloomfield Street:								
Advertising expenses.....	28 60	59 74	88 34	.....	.....	.....	.....	.....
Maps and tracings.....	80 00	.....	80 00	.....	.....	.....	.....	.....
	\$192,830 11	\$24,396 15	\$160,434 66	.....	.....	.....	.....	.....

These columns are not used at the present time for the reason that the accounts have been in operation a sufficient length of time to provide the data required to indicate comparative figures.



SCHEDULE "P"

THE TOWN OF MONTCLAIR, N. J.

Revenues Miscellaneous—July 31, 1912

Board of Health—Fines, etc.....	\$160.00
Building permits.....	737.30
Dog registration.....	785.00
Peddlers' licenses.....	1,637.50
Hack licenses.....	182.00
Show licenses.....	25.00
Employment agency licenses.....	20.00
Excise licenses.....	8,500.00
Fines and penalties.....	780.00
Interest on taxes, assessments and deposits.....	4,090.98
Main and outlet and Upper Montclair main sewer assessments collected.....	522.95
Miscellaneous revenue and receipts.....	818.99
Recording and canceling taxes.....	151.88
Sewer maintenance.....	375.67
Tax searches by collector.....	173.81
D., L. & W. Railroad Company, damages in connec- tion with improvements.....	6,000.00
Shade tree assessments levied.....	2,913.38
Snow and ice removal, excess of assessment over cost.	498.73
Total.....	\$28,373.19

A subsidiary ledger is maintained in the office of the bookkeeper which carries a separate account for each of the above items, the aggregate thereof proves to the total of the general ledger controlling account entitled "Revenues Miscellaneous."

THE TOWN OF MONTCLAIR, N. J.

Fund Balance Sheet—July 31, 1912

GENERAL FUND RESOURCES, APPROPRIATIONS AND RESERVES

Resources required to be accrued to meet appropriations.....	\$479,767.38	Unexpended balances of appropriation (Schedule "Q").....	\$204,005.87
Unapplied (net cash) balances.....	65,878.97*	Unencumbered balances.....	\$201,976.72
Available assets other than cash.....	81,680.29	Reserve for contracts and leases.....	24,807.50
		Reserve for open market orders.....	7,421.65
		Reserve for warrants drawn in advance.....	29,466.37
		Reserve for deficiencies in taxes.....	3,657.77
		Reserve for retirement of temporary loans.....	25,000.00
		Unappropriated revenue (Schedule "R").....	142,438.67
	<u>\$494,568.68</u>		<u>\$494,568.68</u>

BOND FUNDS

Bonds authorized and unissued.....		Unexpended balances of bond funds (Schedule "S").....	\$216.32
Unapplied (net cash) balances.....	\$216.32	Unencumbered balances.....	\$216.32
		Reserve for contracts.....	
		Reserve for open market orders.....	
	<u>\$216.32</u>		<u>\$216.32</u>

* This amount represents the excess at this date of immediate demands for cash, \$25,851.20, over available cash, \$19,074.23 (Exhibit 29). The demands must be met either through collections of taxes and assessments or through additional borrowings on note.

SCHEDULE "Q"

THE TOWN OF MONTCLAIR
Appropriation Balances, at close of business, July 31, 1912

TITLE OF APPROPRIATION	Appropriation as Adjusted	Cash Credits and Journal Adjustments	Total Credits	Total Vouchers Registered Net.	Unexpended Balances	RESERVES				Un-encumbered Balances of Authorizations				
						Contract	Open Market Order	Total	Un-encumbered Balances of Authorizations					
A	(27)	B	(24)	C [A + B]	(5)	(C-D)	F	[12-15]	G	[18-21]	H	[F + G]	I	[E-H]
Incidentals, Salaries of Officials and Clerks.	\$24,200 00			\$25,922 22	\$22,600 00	\$3,322 22								\$3,322 22
Incidentals, Board of Health.	9,750 00		\$1,722 22	9,910 00	5,893 84	4,016 16								4,016 16
Incidentals, Sewer Maintenance.	4,200 00		375 67	4,575 67	3,139 15	1,436 52								1,436 52
Incidentals, Supplies & Contingencies.	14,850 00			14,850 00	9,947 20	4,902 80	\$1,700 02	\$30 00						3,202 78
Police Department	38,000 00		236 78*	37,763 22	36,641 82	1,121 40	528 00							393 40
Road Repairs	36,000 00			36,000 00	26,197 11	9,802 89			6,185 45					9,317 14
Asphalt and Garbage	24,000 00			24,000 00	12,119 28	9,880 72		62 50						9,880 72
Fire Department	46,000 00			46,000 00	37,508 57	8,491 43		1,006 20						7,485 23
Poor Department—Salary of Overseer.	600 00			600 00										
Poor Department—Supplies and Contingencies.	6,900 00			6,900 00	3,302 16	3,597 84								3,597 84
Street Lighting	37,500 00			37,500 00	20,242 79	17,257 21	14,071 88							2,585 23
Water Supply	21,000 00			21,000 00	7,217 84	13,782 16	7,845 00							5,937 16
Shade Tree Commission	5,450 00		2,919 38	8,369 38	6,785 42	1,577 96								1,577 96
Police Pension Fund	1,100 00		1,100 00*											
Free Public Library	15,093 10			15,093 10	5,196 11	6,896 99								6,896 99
Interest on Bonded Debt	58,800 00			58,800 00	33,736 87	33,736 87								33,736 87
Sinking Fund Appropriation	33,200 00			33,200 00	1,000 00	32,200 00								32,200 00
Board of Education.	210,583 00		4,000 00*	206,583 00	76,000 00	130,583 00								130,583 00
	\$587,226 10		\$165 51*	\$587,060 59	\$293,054 72	\$294,005 87	\$24,807 50	\$7,221 65	\$32,029 15		\$261,976 72			

* Debit items.

SCHEDULE "B"

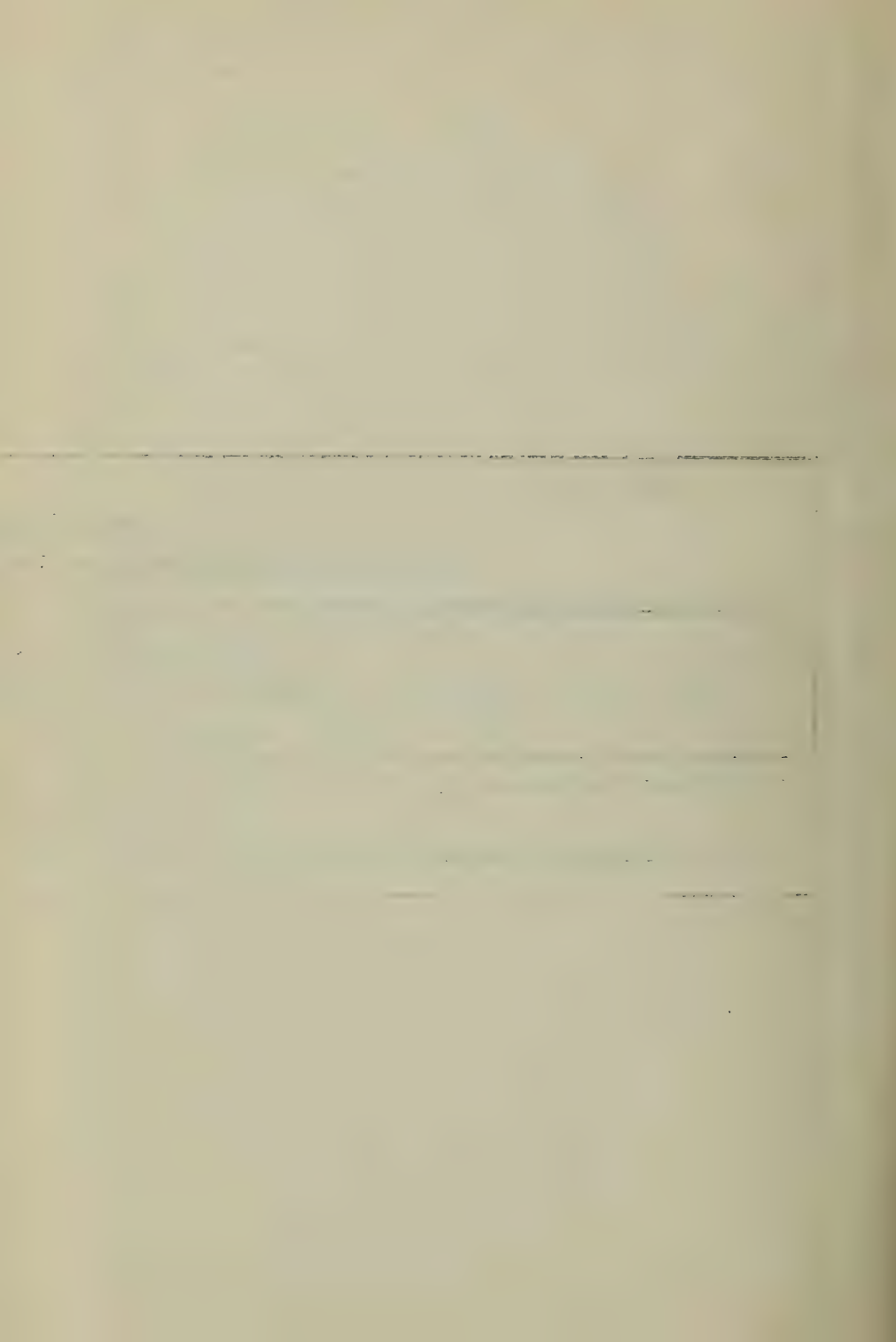
THE TOWN OF MONTCLAIR, N. J.

Unappropriated Revenue—July 31, 1912

Building permits.....	\$737.30
Dog registration	785.00
Peddlers' licenses.....	1,637.50
Hack licenses.....	182.00
Show licenses.....	25.00
Employment agency licenses.....	20.00
Excise licenses.....	8,500.00
Fines and penalties.....	780.00
Interest on taxes, assessments, deposits and notes payable.....	3,560.85
Main and outlet and Upper Montclair main sewer assessments collected.....	6,375.43
Miscellaneous revenue and receipts.....	818.99
Recording and canceling taxes.....	151.88
Tax searches by collector.....	173.81
Taxes levied in excess of requirements in 1910 and prior years.....	12,192.18
D., L. & W. Railroad Company, damages in connection with improvements.....	6,000.00
Excess of assessment over cost of snow removal..	498.73
Total.....	<u>\$142,438.67</u>

SCHEDULE "S"

[illegible]



INDEX

A

Account. *See also* Capital Account; Consolidated Account; General Account; Operation Account; Statement of Revenue and Expense; Surplus or Deficit Account.

cash, information to be shown by each, 179

forms and books of, to be purchased under supervision, 201

general ledger controlling. *See* Accounts, Controlling.

Accountability,

for use of supplies, necessity of, 124

of collecting agents, for documents received, 94

secured through control of financial stationery, 93

Accountants,

approval of certified public, to reorganization report, 204

expert public, for study of accounting and business methods, 192

outside professional, value of, 200

outside, to make periodical examinations of procedure, 198

trained, necessary for reorganization work, 190

Accounting,

centralized system of, desirable, 122, 134

for appropriations by showing unexpended and unencumbered balances, etc., 116, 186

for distribution of supplies and materials, necessary, 197

for financial stationery, monthly, 103

function of, 2, 74

proper system of, requisites for, 197

purchase of forms for, to be supervised, 201

record of, information to be given by, 74

scientific, advantage of, 76

system of. *See* System of Accounting.

INDEX

Accounting control,

- established through recording values of stores, 134
- how secured, 101, 118
- installation of, for requisitions, contracts and orders, 195
- over revenues, not generally exercised, 93
- to begin with contracts and orders, 113

Accounting methods,

- manual of, 197
- need for, in public business, 74, 188
- need of expert accountant in reorganization of, 192
- proper, necessary for budget revision, 196
- revision of, leads to revision of budget making, 197
- steps in reorganizing, ch. XII.

Accounts. *See also* Assessment Accounts; Expenditure Accounts; Expense Accounts; Fund Accounts.

- accuracy of, 161
- completeness of, 160
- municipal, audit of, by state department, 201
- nature of, how determined, 75
- necessity for proving, 83, 116
- summary, act as controlling accounts and are supported by subsidiary records, 51. *See also* Totals, Registered.
- with each concern from whom purchases are made, need for, 121

Accounts, controlling. *See also* Control.

- accuracy and promptness secured by, in Montclair, 209
- adjustment for stores on hand in, 129
- balance of, to agree with balance of subsidiary record, 84
- charged with all purchases, 138
- effect of fluctuations in prices in stores, 131
- for all items of expense, 84
- for expenditures, 118
- for revenues and receipts, 102
- for tools and equipment in use, 138, 139

INDEX

Accounts, controlling (*Continued*),

- installation of system of, 195
- over goods received, 33, 118
- purpose of, 161
- required for trust funds, 72
- summary property accounts act as, 51
- unencumbered balances and contingent liabilities in fund
 - balance sheet operate as, 38
- when departments keep separate sets of accounts, 122, 134
- with stores, 126, 134
- with taxes and other revenues, 8

Accounts, detail,

- arrangement in subsidiary record of, 84
- cost value of property to be shown in, 56
- develop amount of reserve for contracts and open orders,
 - 31
- entries from vouchers in, 32
- for expenses to be classified and analyzed, 78, 79
- for property account in capital account balance sheet, 51
- items of expense to be posted in subsidiary record containing, 84
- labor involved in keeping, 85
- of expenses, may be kept by departments, 123
- of revenue and expenses, 181
- relating to sinking funds to be kept by financial officer,
 - 66
- supporting fund balance sheet, 26
- supporting statement of cash transactions, 180
- supporting statement of obligations maturing, 180

Accounts payable,

- credited from monthly total of invoice register, 118
- defined, 24
- relation of, to total invoice register, 33

Accounts, proprietary,

- contracts and open orders issued do not affect, 31
- defined, 29

INDEX

Accounts, proprietary (*Continued*),

- entries for cash received from miscellaneous sources in, 30
- entry for uncollectible taxes in, 37
- trust funds not included in, 72

Accounts receivable,

- credited when receipt voucher is received from treasurer, 97
- debited when report from collecting agent is received, 98
- debited with totals of accrual registers, 102
- defined, 24
- outstanding, resource to meet authorizations, 16

Accrual registers,

- daily reports of collections entered in, 98
- proper record and accounting control of revenues secured by, 101
- totals of, form basis for general ledger entries, 102

Accruals. *See* Revenues Accrued.

Accrued revenue. *See* Revenues Accrued.

Accuracy,

- of expenditure accounts, necessity for, 116
- of reports, 160, 161
- of revenue accruals, how controlled, 94
- of service reports, to be verified, 142
- of stores, expenses and property accounts, importance of, 119

Acquisition of properties. *See* Properties, Permanent.

Activities of municipality,

- can be reduced to unit of work basis, 87
- cost by, desirable in expense classification, 78

Adding attachment used for New York tax bills, 100

Adjustments for fluctuation in prices, in stores accounting, 132

Administration,

- defined, 22
- efficiency of, how judged, 85
- efficient, needs reports, monthly at least, 82
- successful, based upon current reports, 158

INDEX

- Administrative control** provided through inspection and reports, 118
- Administrative procedure**, proper, should have competent evidence of every revenue transaction, 92
- Administrative value**,
 how judged, 75
 of capital account balance sheet, 50
 of current reports, 158
 of entering charges as of date applicable, 82
 of expense accounting, 76
 of property account, 52
 of unit costs, 85
- Administrator.** *See also* Public Officers; Financial Officer.
 advantage of reports to, 158, 159, 182
 illustrations of reports valuable to, 182-187
- Advancements for assessable improvements** not part of "cost of the city," 9
- Advisory committees**, value of, in reorganization work, 193
- Allocation of charges**,
 importance of, 81
 monthly, 7, 82
 not to be based on disbursements, 7
- American Telephone and Telegraph Company**, reporting methods of, 169
- Amortization of bonds**, necessity for, 61
- Amount available for further appropriation**, how obtained, 40
- Analysis of**,
 daily requisitions furnishes detail for sub-classification, 90
 expenditures, relation of, to official responsibility, 79
 expenses, aided by detailed account, 85, 181
 powers and duties of officers to be made in survey, 193
 statement of cash transactions, 180
 statement of revenue and expense, 181
- Annual payments.** *See* Sinking Fund Installments.
- Annual reports.** *See* Reports, Annual.

INDEX

- Apportionment,
 - of costs on basis of goods issued, 133
 - of elements in job costs, 79, 80, 124
- Appraisalment of property, independent, to be shown on inventory, 58
- Appropriable balance of assets realizable, reduced by each appropriation, 19
- Appropriated funds, analysis of, in New Rochelle statement, 19, 41
- Appropriating body. *See also* Budget-makers.
 - alone can change salary schedules, 149
 - may provide funds for reorganization work, 190
- Appropriation and fund accounts, ch. III. *See also* Appropriations; Fund Accounts.
 - charges to, constitute only expense accounting in some cities, 77
 - complete statement of, needed by public officer, 160
 - condition of, to be shown in monthly report, 120, 186
 - payrolls must be proper charges against, 153
 - total payroll charges to various, summarized, 155
- Appropriation bill. *See* Budgets.
- Appropriation ordinances govern expenditures, 26
- Appropriation or fund ledger,
 - adjustment in, of estimated and actual amounts of contracts and orders, 33, 115
 - balances in, controlled by general ledger accounts, 119
 - carries details of fund accounts, 17, 38
 - contains account with each authorization, 27
 - detail entries in, develop amount reserved for contract and open market orders, 31, 114
 - form of (Exhibit 20), 114, 115
 - vouchers entered in, 32, 115
- Appropriations,
 - accounting for, by showing unexpended and unencumbered balances, seldom practiced, 116

INDEX

Appropriations (*Continued*),

- act as controlling account of detailed appropriation and contract ledgers, 119, 120
- amounts of, free for further encumbrance, 31
- contingent liabilities against, how ascertained, 116
- contracts and orders to be registered as encumbrances against, 15, 31, 113, 114
- credited with excess of contracts and orders over vouchers, 119
- debited with excess of vouchers over contracts and orders, 119
- defined, 19, 25, 31
- encumbrances against, amount of, should be known, 15, 31
- encumbrances against, disregarded in New Rochelle statement, 19
- entries required for, 28
- for capital outlays, how treated, 46
- for reorganization work, 190, 193
- for salaries and wages, conditions governing, 149
- for seasonal work, 156
- for supplies and materials, controlled by stores system, 133
- for uncollectible taxes, to be included in budget, 37
- fund balance sheet of, for Montclair, N. J. (Exhibit 30), 220, 221
- monthly statement of balances of, in Montclair, N. J. (Schedule "Q"), 220, 221
- monthly statement of condition of, 186
- pledged by contracts and vouchers, 14
- relation of, to commitments, 19
- relation of, to revenue and commitment in fund balance sheet, 15
- should not exceed revenues, 15
- sometimes charged incorrectly, 78
- supporting schedules of, for Montclair, N. J. (Schedules "Q" and "R"), 220, 221

INDEX

- Appropriations (*Continued*),
 - to cover amount of orders, 109
 - to cover vouchers, 111
 - unencumbered balance of, how ascertained, 116
 - unexpended balance of, how ascertained, 116
- Approval,
 - of claims by council only perfunctory audit, 112
 - of time and service reports, 143
- Approved vouchers, amount of, should be known, 15
- Assessable improvements. *See* Improvements, Assessable.
- Assessment accounts,
 - theory of, 59
 - treatment of, 58
- Assessment bonds issued to finance improvements, 59
- Assessments,
 - cash from, not revenues, 9
 - deficiency in, provided by city, entries for, 60
 - on city-owned property, entries for, 60
- Assessments, collection of,
 - entries for, 60
 - explained, 9
 - should be used to retire bonds issued, 59
- Assessments receivable,
 - charged when improvement is completed, 59
 - distinct from current assets, 18
- Asset and liability accounts,
 - must be charged whenever money expended or liability incurred, 44
 - necessity for charging, 44
 - not kept by most cities, 45
 - take control over goods as soon as received, 33
- Assets,
 - acquisition of, 11
 - available for future expenses, should be known, 20
 - capital, defined, 24
 - current, defined, 23

INDEX

Assets (*Continued*),

- in general account balance sheet, include taxes receivable, 38
- net increase in, 12
- prospective, in fund balance sheet, 40
- weighed against liabilities in balance sheet, 12

Assets and liabilities,

- changes in, explained in statement of revenue and expense, 5
- complete statement of, needed by public officer, 161
- difference in, accounted as surplus or deficit, 12
- relating to equipment and properties, in capital account balance sheet, 43
- relating to operation, in general account balance sheet, 43

Audit,

- need of independent, 199, 200
- of expenditures, evidence required for, 105
- of municipal accounts by state department, 201
- of payrolls, 154
- of sales, property account lays foundation for, 53
- of tax collections, 100
- periodical, of accounts, 198

Audit of claims,

- by a council, perfunctory, 112
- in New York City, 184
- procedure for, 106, 111, 184

Audit of collections,

- how made, 98
- of taxes, 100
- through controlling accounts, 8
- to be made within day after collection, 92

Auditor,

- advantage of outside, over inside, 200

Authorizations. *See also* Appropriations.

- accounts and records must be kept with various, 27
- available balance represents resource to meet, 29

INDEX

Authorizations (*Continued*),

- contracts and orders to be recorded as encumbrances
against, 15, 31, 113, 114, 115
- differ from liabilities, 14
- explained, 31
- form fund credits in fund balance sheet, 15
- resources to meet, form fund debits, 15

Authorizations to incur liabilities,

- appropriations constitute, 31
- credited when appropriations become effective, 28, 34
- debited when contracts are awarded and open market
orders issued, 31, 35, 117
- debited when sinking fund installments are paid over,
70, 71
- opposed in capital account fund balance sheet by loans
authorized and unissued, 41
- unencumbered balance of, opposed in fund balance sheet by
resources, 38

Automobile,

- unit costs in operation of, U. S. Reclamation Service
(Exhibit 28), 177, 178

Availability of facts, importance of, 161

Available balance (receivable),

- credited if taxes in arrears are paid into sinking fund,
68
- credited when cash is received from taxes, 30
- debited when tax roll is levied, collateral entry, 29, 34
- forms resource to meet authorizations, 16
- necessary for double entry equation, 29
- relation of, to taxes or revenue receivable, 39

Available balance for further appropriation, 17, 25

Averages,

- comparison by, aid in judging work accomplished, 81
- in reports, 160, 166

Average time consumed in payment of claims, New York City, 185, 186

INDEX

B

- Balance.** *See also* Unapplied (Net Cash) Balance; Unencumbered Balances; Unexpended Balance.
available for further appropriation, how ascertained, 17, 25, 40
encumbered, developed through detail entries of contracts and orders, 32
of appropriations and bond funds, furnished monthly in Montclair, 209
of appropriations, monthly statement of, for Montclair, N. J. (Schedule "Q"), 220, 221
of authorization to draw on treasury. *See* Unexpended Balance.
of bond funds, monthly statement of, for Montclair, N. J. (Schedule "R"), 221
of cash on hand in each depository to be shown, 179
of controlling account to agree with balance of subsidiary record, 84
of stores on hand, to be shown in balance sheet, 20
uncommitted, of the general account, how ascertained, 40
unrealized, of estimated receipts from miscellaneous revenues, treatment of, 16
- Balance sheet.** *See* Capital Account Balance Sheet; Fund Balance Sheet; General Account Balance Sheet; Sinking Fund Balance Sheet; Summary Consolidated Balance Sheet; Trust Fund Balance Sheet.
asset and liability, for Montclair, N. J. (Exhibit 29), 210, 211
as test of bookkeeping methods, 49
business world expects, 49
classification of items in, 21
contrasted with "trial balance," 12
current. *See* General Account Balance Sheet.
defined, 12, 24

INDEX

- Balance sheet** (*Continued*),
discussion of New Rochelle's, 18, 41
how produced, 12
many cities do not make, 17
need for, 11
relation of, to statement of revenue and expense, 6
represents statement of present condition, 13
shows no assets or liabilities have been omitted, 49
summary, to be supplemented by intermediate statements,
176
to be promptly rendered, 187
treatment of stores in, 137
value of, 54
- Bellevue and Allied Hospitals**,
form of stores ledger used by, 126
segregated expense accounts of, 87
- Bill**, memorandum, mailed to taxpayers on request, 99
- Bills**, tax. *See* Tax Bills.
- Block principle** for subsidiary record, explained, 84
- Board of Estimate and Apportionment** adopted principle of
functional segregated budget in New York City, 202
- Boards of trade** may aid reorganization work, 190
- Bonded debt.** *See* Debt, Bonded.
- Bond funds**,
cash transactions in, report of, necessary, 179
fund balance sheet of, for Montclair, N. J. (Exhibit 30),
220, 221
provisions for obligations maturing against, 180
require separate group of fund accounts, 41
statement of, for New Rochelle, N. Y. (Exhibit 8), 38, 39
supporting schedules for, Montclair, N. J. (Schedule "S"),
221
- Bonds**,
assessment, should be retired through assessments collected,
59
issued to finance improvements, 59

INDEX

Bonds (*Continued*),

- long term, to make up current deficiencies, 61

- principle for determining life period of, 63

- provision for retirement of, 61, 63

- serial, payments for, 65

- value of well-prepared balance sheet in selling, 54

Bookkeeping work checked by monthly trial balances, etc., 187

Books, account, to be purchased under supervision, 201

Borrowing,

- amount of necessary, shown by statement of obligations maturing, 183

- for outlays. *See* Bond Funds.

Boston, experience of, in prebilling, used in New York City, 99

Budget-makers. *See also* Appropriating Body.

- amount for "replacement" furnished by property inventory to, 52

- value of property account to, 51

Budget-making methods,

- revision of, ineffective unless proper method of accounting adopted, 196

- revision of, necessarily follows revision of accounting methods, 197

- study of, 191

Budget, New York City,

- conditions governing payrolls in, 149

- functional, installed with assistance of Bureau of Municipal Research, 203

- functional segregation of, 202

Budget ordinance, entries at time operative, 28, 34

Budgets,

- amount for "replacement" in, 52

- may include depreciation charge for deteriorating properties, 56

- revision of, necessarily follows revision of accounting, 197

- revision of, requires proper method of accounting, 196

- should contain provision for uncollectible taxes, 37

INDEX

Budgets (*Continued*),

- sinking fund requirements included in, entries for, 67
- study of methods of making, 191
- why required, 26

Buffalo adopts New York City tax system for county taxes, 99

Bureau of audit of Department of Finance in New York City,
illustration of efficiency in auditing and paying claims
in, 184

Bureau of Municipal Research, New York,

- collaboration of, in installation of system of accounting,
204

- coöperation of, in the installing of functional budget, 203
- made study of Department of Finance, 203

Bureaus of municipal research. *See* Municipal Research Bureaus.

Business men,

- local, may form advisory committee in reorganization
work, 192
- often lack experience required in city work, 75

Business methods,

- definite procedure of, must be prescribed, 105
- manual of, 197
- steps in reorganization of, ch. XII.

C

Capital account. *See also* Capital Account Balance Sheet.

- charged with stores used on new construction, 137
- chart of entries for, 209
- entries for capital outlays paid from appropriations in, 46
- fund balance sheet of, for New Rochelle, N. Y. (Exhibit
8), 38, 39

Capital account balance sheet, ch. IV.

- accounts summarized in, show idle property, 54
- administrative value of, 50
- defined, 46

INDEX

- Capital account balance sheet** (*Continued*),
discussion of, 43
facts to be included in, 46
for Montclair, N. J. (Exhibit 29), 210, 211
forms supporting schedule to summary consolidated balance sheet, 55
illustration of, for New Rochelle, N. Y. (Exhibit 9), 44, 45
in successive years, will show if bonded debt is created for current expenses, 50
purposes of, 47-50
should contain cost value of property less depreciation, 56
supporting schedules of, for Montclair, N. J. (Schedules "F" to "H"), 215-217
- Capital account cash**, defined, 46
- Capital assets** defined, 24
- Capital liabilities**,
defined, 24
include demand liabilities, 47
- Capital outlays.** *See* Outlays, Capital.
- Capital surplus.** *See* Surplus, Capital.
- Card record for tools and equipment in use**, 139
- Cash**,
and accounts receivable, acquisition of, 11
and credit transactions to be shown in statement of revenue and expense, 6
and investments, relation of, to reserve required to retire bonded debt, 66
anticipated to finance obligations maturing, statement of, 180, 181
available for maturing obligations, details of, 181
capital account, defined, 46
collected. *See* Collections of Cash.
debited when cash is received from taxes or miscellaneous sources, 30, 35
debited when loan in anticipation of taxes is made, 33, 36

INDEX

Cash (*Continued*),

- excess of, over immediate demands for cash in capital balance sheet, 54
 - from assessments, not revenue, 9
 - from taxes levied in prior periods, in New Rochelle statement, 8
 - immediate demands for. *See* Immediate Demands for Cash.
 - inflow and outflow of. *See* Statement of Cash Inflow and Outflow.
 - in sinking fund shown, in sinking fund balance sheet, 65
 - in trust funds shown, in trust fund balance sheet, 72
 - invested in securities, entries for, 69
 - on hand and in each depository to be shown, 179
 - opposed by immediate demands for cash, in balance sheet, 21
 - payments of. *See* Payments, Cash.
 - received, different from revenue accrued, 3
 - received from miscellaneous sources, entries for, 30, 35
 - received from taxes, entries for, 30, 35
 - relation of, to unapplied (net cash) balance, 32, 38
 - surplus of. *See* Surplus.
 - transactions in, and condition of each cash account, statement of, 179
- Cashier renders monthly report of cash collected to comptroller, in New York City, 104
- Cash receipts. *See also* Collections of Cash.
- defined, 22
 - detailed statement of, showing sources and classification by funds, 179
 - from miscellaneous sources, entries for, 30, 35
 - from taxes, 30, 35, 100
 - New Rochelle's statement of, analyzed, 8, 9
- Cash receipts and payments (or disbursements),
- detailed statement of, 179, 180
 - not shown by New Rochelle's statement, 9
 - to be shown in complete summary of cash transactions, 179

INDEX

- Catalogue or list price,
 - adjustment for, 132
 - entries and reports at, 131
 - may be changed at any inventory period, 132
 - retained throughout year, 131
 - stores charged at, 132
 - used for stores, 131
- Central accounting office. *See* Finance, Department of.
- Centralized accounting system,
 - desirability of, 122
 - necessitates keeping separate stores account for each department, 134
- Central purchasing agency, advantages of, 134
- Central stores department, economy of, 134
- Certificates. *See also* Certification.
 - for payrolls, 152
 - of indebtedness for assessable improvements in balance sheet, 18
 - of necessity for goods and orders, 108, 109
- Certification,
 - by collecting agent in monthly accounting for stationery, 102
 - by collecting agent, of daily report to comptroller, 97
 - by foremen, of gang reports, 147
 - daily examination of records for false, 144
 - of invoices, delays in, 107
 - of order form, when goods are received, 109
 - of orders, 106, 108
 - of orders and invoices, 106
 - of payrolls, 151-154
 - of requisitions, 108
 - of service records by employees, 142
 - of vouchers, 110, 111
 - to be based on personal knowledge, 106, 111, 152
 - to be checked by independent inspection, 106
 - value of personal, 111, 143

INDEX

- Chamber of Commerce, New York, indorsed reorganized accounting system of New York City, 205
- Charges. *See also* Encumbrances.
allocation of. *See* Allocation of Charges.
printed in financial stationery determine amount agent must return, 95
to be entered when applicable, not when cash is paid, 82
to expense accounts, for stores, 130, 131
to expense accounts, made from requisitions, 83
reasonable or excessive, known by vendor or claimant, 93
- Chart,
financial steering, 38
graphic, value of, 167
method of making graphic, 167
of capital account transactions, 209
of general ledger entries for Montclair, N. J. (Exhibit 31), 221
percentage basis desirable in graphic, 167
segmented circle used as, 168
- Charter,
may prescribe periodical approval of claims by council, 112
may provide diversion of certain revenues to sinking fund, 67
provisions for salaries in, 153
- Checking,
invoices, procedure for, 106
of vouchers against contract or order entry, 118, 183
- Chief financial officer. *See* Financial Officer.
- Chronological entry of all items of expense, 84
- Cincinnati,
form of order in (Exhibit 19), 110, 111
form of requisition in (Exhibit 18), 108, 109
- Circle, segmented, used as graphic chart, 168
- Citizens may aid in reorganization work, 190
- Civic bodies may aid in reorganization work, 190

INDEX

- Civil Service Commission** examines all payrolls in New York City, 156
- Civil service law to be observed for all persons on payroll, 153
- Civil service title, when work does not correspond with, 156
- Claims,**
 - audit of, 106, 111
 - average time for clearing, 185
 - causes of delays in payment of, 184
 - for contracts, 112
 - methods of reorganization in vouchering and recording, 195
 - numbering and scheduling of, 185
 - preparation of, for payment, 106
 - reports of time required for payment of, 184
 - system of auditing and paying, in New York City, 184, 185
- Clarity,**
 - aided by typographical arrangement of report, 169
 - obtained through classification, 164
- Classification,**
 - for efficiency record, service reports should conform to, 143
 - general, adopted by several hospitals, 90
 - of balance sheet items, 21
 - of cash and cash receipts according to funds, 179
 - of cost, principles underlying proper, 78. *See also* Cost Classification.
 - of expense accounts in Bellevue & Allied Hospitals, 88
 - of expenses, methods in, 77. *See also* Expense Classification.
 - of reports, 160, 163
 - proper, of functional expenses, requisite in system of accounting, 197
- Classified record,**
 - of expense accounts, utility of, 76
 - of expenses invaluable in preparation of estimates, 77

INDEX

Code numbers,

for articles in stock, desirable, 137

used for appropriations in payroll form, 155

Collateral entries. *See* Entries, Secondary.

Collecting agents,

held to strict accountability through control of stationery,

93, 94, 95, 102

office of, to be occasionally inspected, 98

procedure when money is deposited by, 97

reports of, compared with receipt voucher, 98

reports of, form basis for entries, 98

transmit daily certified report to comptroller, 96

transmit daily certified report to treasurer, 97

Collections,

audited. *See* Audit of Collections.

of assessments. *See* Assessments, Collection of.

of revenues, ch. VII. *See* Revenues, Control of.

of taxes. *See* Taxes Collected.

Collections of cash. *See also* Revenues, Control of.

audit of, day after collection, 92

controlled through daily reports to financial officer, 96

controlled through financial stationery, 94

controlled through treasurer's reports daily, 97

control of, by general ledger, 101, 102

form of report of, to comptroller (Exhibit 15), 96, 97

form of report of, to treasurer (Exhibit 16), 98, 99

how audited, 98, 100

reports of, form basis for entries, 97, 98

reports of, supported by counterfoils, 95

statement of, classified as to funds, etc., 179

transmitted to treasurer or deposited, 97

Collector of taxes. *See also* Collecting Agents.

makes daily report of collections to financial officer and
treasurer, 100, 101

receives and is charged with tax bills, 100

receives original tax rolls, 100

INDEX

- Administrative control** provided through inspection and reports, 118
- Administrative procedure**, proper, should have competent evidence of every revenue transaction, 92
- Administrative value**,
 how judged, 75
 of capital account balance sheet, 50
 of current reports, 158
 of entering charges as of date applicable, 82
 of expense accounting, 76
 of property account, 52
 of unit costs, 85
- Administrator.** *See also* Public Officers; Financial Officer.
 advantage of reports to, 158, 159, 182
 illustrations of reports valuable to, 182-187
- Advancements** for assessable improvements not part of "cost of the city," 9
- Advisory committees**, value of, in reorganization work, 193
- Allocation of charges**,
 importance of, 81
 monthly, 7, 82
 not to be based on disbursements, 7
- American Telephone and Telegraph Company**, reporting methods of, 169
- Amortization of bonds**, necessity for, 61
- Amount available for further appropriation**, how obtained, 40
- Analysis of**,
 daily requisitions furnishes detail for sub-classification, 90
 expenditures, relation of, to official responsibility, 79
 expenses, aided by detailed account, 85, 181
 powers and duties of officers to be made in survey, 193
 statement of cash transactions, 180
 statement of revenue and expense, 181
- Annual payments.** *See* Sinking Fund Installments.
- Annual reports.** *See* Reports, Annual.

INDEX

- Apportionment,**
 of costs on basis of goods issued, 133
 of elements in job costs, 79, 80, 124
- Appraisalment of property, independent, to be shown on inventory,** 58
- Appropriable balance of assets realizable, reduced by each appropriation,** 19
- Appropriated funds, analysis of, in New Rochelle statement,** 19, 41
- Appropriating body. *See also* Budget-makers.**
 alone can change salary schedules, 149
 may provide funds for reorganization work, 190
- Appropriation and fund accounts, ch. III. *See also* Appropriations; Fund Accounts.**
 charges to, constitute only expense accounting in some cities, 77
 complete statement of, needed by public officer, 160
 condition of, to be shown in monthly report, 120, 186
 payrolls must be proper charges against, 153
 total payroll charges to various, summarized, 155
- Appropriation bill. *See* Budgets.**
- Appropriation ordinances govern expenditures,** 26
- Appropriation or fund ledger,**
 adjustment in, of estimated and actual amounts of contracts and orders, 33, 115
 balances in, controlled by general ledger accounts, 119
 carries details of fund accounts, 17, 38
 contains account with each authorization, 27
 detail entries in, develop amount reserved for contract and open market orders, 31, 114
 form of (Exhibit 20), 114, 115
 vouchers entered in, 32, 115
- Appropriations,**
 accounting for, by showing unexpended and unencumbered balances, seldom practiced, 116

INDEX

Appropriations (*Continued*),

- act as controlling account of detailed appropriation and contract ledgers, 119, 120
- amounts of, free for further encumbrance, 31
- contingent liabilities against, how ascertained, 116
- contracts and orders to be registered as encumbrances against, 15, 31, 113, 114
- credited with excess of contracts and orders over vouchers, 119
- debited with excess of vouchers over contracts and orders, 119
- defined, 19, 25, 31
- encumbrances against, amount of, should be known, 15, 31
- encumbrances against, disregarded in New Rochelle statement, 19
- entries required for, 28
- for capital outlays, how treated, 46
- for reorganization work, 190, 193
- for salaries and wages, conditions governing, 149
- for seasonal work, 156
- for supplies and materials, controlled by stores system, 133
- for uncollectible taxes, to be included in budget, 37
- fund balance sheet of, for Montclair, N. J. (Exhibit 30), 220, 221
- monthly statement of balances of, in Montclair, N. J. (Schedule "Q"), 220, 221
- monthly statement of condition of, 186
- pledged by contracts and vouchers, 14
- relation of, to commitments, 19
- relation of, to revenue and commitment in fund balance sheet, 15
- should not exceed revenues, 15
- sometimes charged incorrectly, 78
- supporting schedules of, for Montclair, N. J. (Schedules "Q" and "R"), 220, 221

INDEX

- Appropriations (*Continued*),
 - to cover amount of orders, 109
 - to cover vouchers, 111
 - unencumbered balance of, how ascertained, 116
 - unexpended balance of, how ascertained, 116
- Approval,
 - of claims by council only perfunctory audit, 112
 - of time and service reports, 143
- Approved vouchers, amount of, should be known, 15
- Assessable improvements. *See* Improvements, Assessable.
- Assessment accounts,
 - theory of, 59
 - treatment of, 58
- Assessment bonds issued to finance improvements, 59
- Assessments,
 - cash from, not revenues, 9
 - deficiency in, provided by city, entries for, 60
 - on city-owned property, entries for, 60
- Assessments, collection of,
 - entries for, 60
 - explained, 9
 - should be used to retire bonds issued, 59
- Assessments receivable,
 - charged when improvement is completed, 59
 - distinct from current assets, 18
- Asset and liability accounts,
 - must be charged whenever money expended or liability incurred, 44
 - necessity for charging, 44
 - not kept by most cities, 45
 - take control over goods as soon as received, 33
- Assets,
 - acquisition of, 11
 - available for future expenses, should be known, 20
 - capital, defined, 24
 - current, defined, 23

INDEX

Assets (*Continued*),

- in general account balance sheet, include taxes receivable, 38
- net increase in, 12
- prospective, in fund balance sheet, 40
- weighed against liabilities in balance sheet, 12

Assets and liabilities,

- changes in, explained in statement of revenue and expense, 5
- complete statement of, needed by public officer, 161
- difference in, accounted as surplus or deficit, 12
- relating to equipment and properties, in capital account balance sheet, 43
- relating to operation, in general account balance sheet, 43

Audit,

- need of independent, 199, 200
- of expenditures, evidence required for, 105
- of municipal accounts by state department, 201
- of payrolls, 154
- of sales, property account lays foundation for, 53
- of tax collections, 100
- periodical, of accounts, 198

Audit of claims,

- by a council, perfunctory, 112
- in New York City, 184
- procedure for, 106, 111, 184

Audit of collections,

- how made, 98
- of taxes, 100
- through controlling accounts, 8
- to be made within day after collection, 92

Auditor,

- advantage of outside, over inside, 200

Authorizations. *See also* Appropriations.

- accounts and records must be kept with various, 27
- available balance represents resource to meet, 29

INDEX

- Authorizations** (*Continued*),
contracts and orders to be recorded as encumbrances
 against, 15, 31, 113, 114, 115
differ from liabilities, 14
explained, 31
form fund credits in fund balance sheet, 15
resources to meet, form fund debits, 15
- Authorizations to incur liabilities**,
appropriations constitute, 31
credited when appropriations become effective, 28, 34
debited when contracts are awarded and open market
 orders issued, 31, 35, 117
debited when sinking fund installments are paid over,
 70, 71
opposed in capital account fund balance sheet by loans
 authorized and unissued, 41
unencumbered balance of, opposed in fund balance sheet by
 resources, 38
- Automobile**,
unit costs in operation of, U. S. Reclamation Service
 (Exhibit 28), 177, 178
- Availability of facts, importance of**, 161
- Available balance (receivable)**,
credited if taxes in arrears are paid into sinking fund,
 68
credited when cash is received from taxes, 30
debited when tax roll is levied, collateral entry, 29, 34
forms resource to meet authorizations, 16
necessary for double entry equation, 29
relation of, to taxes or revenue receivable, 39
- Available balance for further appropriation**, 17, 25
- Averages**,
comparison by, aid in judging work accomplished, 81
in reports, 160, 166
- Average time consumed in payment of claims, New York City**,
 185, 186

INDEX

B

- Balance.** *See also* Unapplied (Net Cash) Balance; Unencumbered Balances; Unexpended Balance.
available for further appropriation, how ascertained, 17, 25, 40
encumbered, developed through detail entries of contracts and orders, 32
of appropriations and bond funds, furnished monthly in Montclair, 209
of appropriations, monthly statement of, for Montclair, N. J. (Schedule "Q"), 220, 221
of authorization to draw on treasury. *See* Unexpended Balance.
of bond funds, monthly statement of, for Montclair, N. J. (Schedule "R"), 221
of cash on hand in each depository to be shown, 179
of controlling account to agree with balance of subsidiary record, 84
of stores on hand, to be shown in balance sheet, 20
uncommitted, of the general account, how ascertained, 40
unrealized, of estimated receipts from miscellaneous revenues, treatment of, 16
- Balance sheet.** *See* Capital Account Balance Sheet; Fund Balance Sheet; General Account Balance Sheet; Sinking Fund Balance Sheet; Summary Consolidated Balance Sheet; Trust Fund Balance Sheet.
asset and liability, for Montclair, N. J. (Exhibit 29), 210, 211
as test of bookkeeping methods, 49
business world expects, 49
classification of items in, 21
contrasted with "trial balance," 12
current. *See* General Account Balance Sheet.
defined, 12, 24

INDEX

- Balance sheet** (*Continued*),
 discussion of New Rochelle's, 18, 41
 how produced, 12
 many cities do not make, 17
 need for, 11
 relation of, to statement of revenue and expense, 6
 represents statement of present condition, 13
 shows no assets or liabilities have been omitted, 49
 summary, to be supplemented by intermediate statements,
 176
 to be promptly rendered, 187
 treatment of stores in, 137
 value of, 54
- Bellevue and Allied Hospitals**,
 form of stores ledger used by, 126
 segregated expense accounts of, 87
- Bill**, memorandum, mailed to taxpayers on request, 99
- Bills**, tax. *See* Tax Bills.
- Block principle** for subsidiary record, explained, 84
- Board of Estimate and Apportionment** adopted principle of
 functional segregated budget in New York City, 202
- Boards of trade** may aid reorganization work, 190
- Bonded debt**. *See* Debt, Bonded.
- Bond funds**,
 cash transactions in, report of, necessary, 179
 fund balance sheet of, for Montclair, N. J. (Exhibit 30),
 220, 221
 provisions for obligations maturing against, 180
 require separate group of fund accounts, 41
 statement of, for New Rochelle, N. Y. (Exhibit 8), 38, 39
 supporting schedules for, Montclair, N. J. (Schedule "S"),
 221
- Bonds**,
 assessment, should be retired through assessments collected,
 59
 issued to finance improvements, 59

INDEX

Bonds (*Continued*),

- long term, to make up current deficiencies, 61
- principle for determining life period of, 63
- provision for retirement of, 61, 63
- serial, payments for, 65
- value of well-prepared balance sheet in selling, 54

Bookkeeping work checked by monthly trial balances, etc., 187

Books, account, to be purchased under supervision, 201

Borrowing,

- amount of necessary, shown by statement of obligations maturing, 183
- for outlays. *See* Bond Funds.

Boston, experience of, in prebiling, used in New York City, 99

Budget-makers. *See also* Appropriating Body.

- amount for "replacement" furnished by property inventory to, 52

- value of property account to, 51

Budget-making methods,

- revision of, ineffective unless proper method of accounting adopted, 196
- revision of, necessarily follows revision of accounting methods, 197
- study of, 191

Budget, New York City,

- conditions governing payrolls in, 149
- functional, installed with assistance of Bureau of Municipal Research, 203
- functional segregation of, 202

Budget ordinance, entries at time operative, 28, 34

Budgets,

- amount for "replacement" in, 52
- may include depreciation charge for deteriorating properties, 56
- revision of, necessarily follows revision of accounting, 197
- revision of, requires proper method of accounting, 196
- should contain provision for uncollectible taxes, 37

INDEX

- Budgets** (*Continued*),
 sinking fund requirements included in, entries for, 67
 study of methods of making, 191
 why required, 26
- Buffalo** adopts New York City tax system for county taxes, 99
- Bureau of audit of Department of Finance in New York City**,
 illustration of efficiency in auditing and paying claims
 in, 184
- Bureau of Municipal Research, New York**,
 collaboration of, in installation of system of accounting,
 204
 coöperation of, in the installing of functional budget, 203
 made study of Department of Finance, 203
- Bureaus of municipal research.** *See* Municipal Research Bureaus.
- Business men**,
 local, may form advisory committee in reorganization
 work, 192
 often lack experience required in city work, 75
- Business methods**,
 definite procedure of, must be prescribed, 105
 manual of, 197
 steps in reorganization of, ch. XII.

C

- Capital account.** *See also* Capital Account Balance Sheet.
 charged with stores used on new construction, 137
 chart of entries for, 209
 entries for capital outlays paid from appropriations in, 46
 fund balance sheet of, for New Rochelle, N. Y. (Exhibit
 8), 38, 39
- Capital account balance sheet, ch. IV.**
 accounts summarized in, show idle property, 54
 administrative value of, 50
 defined, 46

INDEX

- Capital account balance sheet (*Continued*),
 - discussion of, 43
 - facts to be included in, 46
 - for Montclair, N. J. (Exhibit 29), 210, 211
 - forms supporting schedule to summary consolidated balance sheet, 55
 - illustration of, for New Rochelle, N. Y. (Exhibit 9), 44, 45
 - in successive years, will show if bonded debt is created for current expenses, 50
 - purposes of, 47-50
 - should contain cost value of property less depreciation, 56
 - supporting schedules of, for Montclair, N. J. (Schedules "F" to "H"), 215-217
- Capital account cash, defined, 46
- Capital assets defined, 24
- Capital liabilities,
 - defined, 24
 - include demand liabilities, 47
- Capital outlays. *See* Outlays, Capital.
- Capital surplus. *See* Surplus, Capital.
- Card record for tools and equipment in use, 139
- Cash,
 - and accounts receivable, acquisition of, 11
 - and credit transactions to be shown in statement of revenue and expense, 6
 - and investments, relation of, to reserve required to retire bonded debt, 66
 - anticipated to finance obligations maturing, statement of, 180, 181
 - available for maturing obligations, details of, 181
 - capital account, defined, 46
 - collected. *See* Collections of Cash.
 - debited when cash is received from taxes or miscellaneous sources, 30, 35
 - debited when loan in anticipation of taxes is made, 33, 36

INDEX

Cash (*Continued*),

excess of, over immediate demands for cash in capital balance sheet, 54

from assessments, not revenue, 9

from taxes levied in prior periods, in New Rochelle statement, 8

immediate demands for. *See* Immediate Demands for Cash.
inflow and outflow of. *See* Statement of Cash Inflow and Outflow.

in sinking fund shown, in sinking fund balance sheet, 65

in trust funds shown, in trust fund balance sheet, 72

invested in securities, entries for, 69

on hand and in each depository to be shown, 179

opposed by immediate demands for cash, in balance sheet, 21

payments of. *See* Payments, Cash.

received, different from revenue accrued, 3

received from miscellaneous sources, entries for, 30, 35

received from taxes, entries for, 30, 35

relation of, to unapplied (net cash) balance, 32, 38

surplus of. *See* Surplus.

transactions in, and condition of each cash account, statement of, 179

Cashier renders monthly report of cash collected to comptroller, in New York City, 104

Cash receipts. *See also* Collections of Cash.

defined, 22

detailed statement of, showing sources and classification by funds, 179

from miscellaneous sources, entries for, 30, 35

from taxes, 30, 35, 100

New Rochelle's statement of, analyzed, 8, 9

Cash receipts and payments (or disbursements),

detailed statement of, 179, 180

not shown by New Rochelle's statement, 9

to be shown in complete summary of cash transactions, 179

INDEX

- Catalogue or list price,
 - adjustment for, 132
 - entries and reports at, 131
 - may be changed at any inventory period, 132
 - retained throughout year, 131
 - stores charged at, 132
 - used for stores, 131
- Central accounting office. *See* Finance, Department of.
- Centralized accounting system,
 - desirability of, 122
 - necessitates keeping separate stores account for each department, 134
- Central purchasing agency, advantages of, 134
- Central stores department, economy of, 134
- Certificates. *See also* Certification.
 - for payrolls, 152
 - of indebtedness for assessable improvements in balance sheet, 18
 - of necessity for goods and orders, 108, 109
- Certification,
 - by collecting agent in monthly accounting for stationery, 102
 - by collecting agent, of daily report to comptroller, 97
 - by foremen, of gang reports, 147
 - daily examination of records for false, 144
 - of invoices, delays in, 107
 - of order form, when goods are received, 109
 - of orders, 106, 108
 - of orders and invoices, 106
 - of payrolls, 151-154
 - of requisitions, 108
 - of service records by employees, 142
 - of vouchers, 110, 111
 - to be based on personal knowledge, 106, 111, 152
 - to be checked by independent inspection, 106
 - value of personal, 111, 143

INDEX

- Chamber of Commerce, New York, indorsed reorganized accounting system of New York City, 205
- Charges. *See also* Encumbrances.
- allocation of. *See* Allocation of Charges.
 - printed in financial stationery determine amount agent must return, 95
 - to be entered when applicable, not when cash is paid, 82
 - to expense accounts, for stores, 130, 131
 - to expense accounts, made from requisitions, 83
 - reasonable or excessive, known by vendor or claimant, 93
- Chart,
- financial steering, 38
 - graphic, value of, 167
 - method of making graphic, 167
 - of capital account transactions, 209
 - of general ledger entries for Montclair, N. J. (Exhibit 31), 221
 - percentage basis desirable in graphic, 167
 - segmented circle used as, 168
- Charter,
- may prescribe periodical approval of claims by council, 112
 - may provide diversion of certain revenues to sinking fund, 67
 - provisions for salaries in, 153
- Checking,
- invoices, procedure for, 106
 - of vouchers against contract or order entry, 118, 183
- Chief financial officer. *See* Financial Officer.
- Chronological entry of all items of expense, 84
- Cincinnati,
- form of order in (Exhibit 19), 110, 111
 - form of requisition in (Exhibit 18), 108, 109
- Circle, segmented, used as graphic chart, 168
- Citizens may aid in reorganization work, 190
- Civic bodies may aid in reorganization work, 190

INDEX

Civil Service Commission examines all payrolls in New York City, 156

Civil service law to be observed for all persons on payroll, 153

Civil service title, when work does not correspond with, 156

Claims,

audit of, 106, 111

average time for clearing, 185

causes of delays in payment of, 184

for contracts, 112

methods of reorganization in vouchering and recording, 195

numbering and scheduling of, 185

preparation of, for payment, 106

reports of time required for payment of, 184

system of auditing and paying, in New York City, 184, 185

Clarity,

aided by typographical arrangement of report, 169

obtained through classification, 164

Classification,

for efficiency record, service reports should conform to, 143

general, adopted by several hospitals, 90

of balance sheet items, 21

of cash and cash receipts according to funds, 179

of cost, principles underlying proper, 78. *See also* Cost Classification.

of expense accounts in Bellevue & Allied Hospitals, 88

of expenses, methods in, 77. *See also* Expense Classification.

of reports, 160, 163

proper, of functional expenses, requisite in system of accounting, 197

Classified record,

of expense accounts, utility of, 76

of expenses invaluable in preparation of estimates, 77

INDEX

Code numbers,

- for articles in stock, desirable, 137
- used for appropriations in payroll form, 155

Collateral entries. *See* Entries, Secondary.

Collecting agents,

- held to strict accountability through control of stationery, 93, 94, 95, 102
- office of, to be occasionally inspected, 98
- procedure when money is deposited by, 97
- reports of, compared with receipt voucher, 98
- reports of, form basis for entries, 98
- transmit daily certified report to comptroller, 96
- transmit daily certified report to treasurer, 97

Collections,

- audited. *See* Audit of Collections.
- of assessments. *See* Assessments, Collection of.
- of revenues, ch. VII. *See* Revenues, Control of.
- of taxes. *See* Taxes Collected.

Collections of cash. *See also* Revenues, Control of.

- audit of, day after collection, 92
- controlled through daily reports to financial officer, 96
- controlled through financial stationery, 94
- controlled through treasurer's reports daily, 97
- control of, by general ledger, 101, 102
- form of report of, to comptroller (Exhibit 15), 96, 97
- form of report of, to treasurer (Exhibit 16), 98, 99
- how audited, 98, 100
- reports of, form basis for entries, 97, 98
- reports of, supported by counterfoils, 95
- statement of, classified as to funds, etc., 179
- transmitted to treasurer or deposited, 97

Collector of taxes. *See also* Collecting Agents.

- makes daily report of collections to financial officer and treasurer, 100, 101
- receives and is charged with tax bills, 100
- receives original tax rolls, 100

INDEX

Columnar principle for subsidiary expense record, 84
Columns,

arrangement of, in statement of obligations maturing,
180

arrangement of, in statements of cash transactions, 179

arrangement of, in subsidiary expense record, 84

for adjustment of amounts of contracts or orders, 115

for goods ordered in stores ledger accounts, 136

for sinking fund in summary consolidated balance sheet,
72

for trust fund in summary consolidated balance sheet, 72

in invoice or voucher register, for transactions entered
chronologically, 84

in invoice register for amounts chargeable to stores, 126

separate, for contracts and orders in fund accounts, 115

separate, for vouchers from contract or order charges,
115

Commitments,

comprise funding relations, 16

defined, 25

relation of, to appropriations, 15, 19

resources to meet, 16

Committee, advisory,

of local business men, valuable in reorganization work, 192

of local experts, may aid in reorganization work, 192

Comparative statement,

of expenses, 181, 182

of revenue, 181

of revenue and expenses, value of, 183

Comparison,

of cost with service results, 85

of expenditures with those of other cities, 86

of reports, 160, 164

of service results, 145

of work with past record of work, 86

requires comparable basis, i.e. unit cost, 86

INDEX

- Comparison of costs,
 - development of data for, 81
 - makes efficiency automatic, 90
 - monthly, requires entering charges as of date applicable, 82
 - necessitates unit costs, 86
 - obtained for hospitals through per patient day rate, 90
 - results of, 86
 - to be made on unit basis, 6
 - value of expense accounting lies in, 76
 - with service results, for efficiency test, 85
- Compensation,
 - of favorites, formerly increased before budget-making time, 150
 - rate of, in various grades of employment, 149
- Competition introduced through comparison of unit costs, 86
- Completeness,
 - of reports, 160
 - of revenue accruals, how controlled, 94
- Comptroller. *See also* Financial Officer.
 - form of daily report to, of money collected (Exhibit 15), 96, 97
 - office of. *See* Finance, Department of.
- Condemnations, property account lays foundation for, 53
- Condensation of reports, 162
- Conditions,
 - budget, compliance with, shown by payroll voucher, 155
 - budget, governing payrolls, 149
 - criticism of, made after survey, 193
 - existing, must be studied in reorganization work, 192, 193
 - in revenue transactions controlled by city, 93
 - of appropriations and funds, showing unexpended and unencumbered balances, to be reported, 186
 - unusual or abnormal, revealed by daily reports, 159

INDEX

Conferences,

- advisable in reorganization work, 196
- of financial and accounting experts on accounting system of New York City, 204

Consolidated account,

- combines financial relations, 17
- of Philadelphia (Exhibit 3), 16, 17

Construction certificates for permanent property, not current liability, 18

Construction work, cost accounting for, 81

Constructive criticisms to be made by department heads on reorganization plans, 194

Constructive program, to be gradually installed, 194

Constructive recommendations, how carried out, 194

Constructive suggestions to be made after survey, 193

Contingent liabilities. *See* Liabilities, Contingent.

Contract ledger,

- controlled by general ledger accounts, 119
- would contain entries from vouchers to detail accounts, 32

Contract record, description of, 121

Contract register provides monthly total for crediting reserve for contracts, 117

Contracts. *See also* Contracts and Open Market Orders.

- awarded, entries from registered totals of, 31, 35
- deliveries against, entries for, 32
- entered into only after appropriation, 14
- entered into, to be immediately recorded as encumbrances, 31, 113, 114
- not yet delivered, contingent liability for, 31
- procedure for controlling, 112, 113
- reserve for. *See* Reserve for Contracts.
- to be entered as encumbrances, at fixed or estimated amounts, 114
- to have separate record from orders, 115
- unit price, do not constitute encumbrances, 114

INDEX

- Contracts and open market orders.** *See also* **Contracts; Orders, Open.**
- appropriations must be sufficient to meet, 111
 - as contingent liabilities, 24
 - as encumbrances, should be known, 15
 - charges for, less voucher charges give contingent liability of appropriation, 116
 - complete statements of, needed by public officer, 161
 - entries for, to be cross-referenced with those for vouchers, 118
 - entries when amounts of, differ from estimates of, 33, 115
 - entries when deliveries are made against, 32
 - outstanding, to be shown in monthly statement, 186
 - posting of, how checked, 117
 - procedure for issuance of, 105
 - requisition, basis for, 108
 - system of issuance and recording of, 195
 - to be numbered and registered chronologically, 115
 - to be recorded immediately, at definite or estimated amounts, 31, 114
 - when authorized, entered under contract or order reserve in appropriation ledger, 114
- Control.** *See also* **Accounting Control; Accounts, Controlling.**
- of amounts collected by agents, 95
 - of appropriations for supplies and materials, 133
 - of audit and payment of claims in New York City, 184, 185
 - of collection of taxes, 98
 - of evidence in revenue and expense transactions, 93
 - of expenditure accounts. *See* **Expenditures, Control of.**
 - of financial stationery, 93, 94
 - of payrolls in New York City, 148
 - of requisitions, contracts and orders, installation of, 195
 - of revenues and expenditures compared, 92, 93
 - of revenues by general ledger, 101

INDEX

Control (*Continued*),

of revenues, facts necessary in, ch. VII. *See also* Revenues, Control of.

of tools and other small equipment, 138

over custodianship of movable property, ch. IX. *See also* Stores Control.

over expenditures, 105

over goods on receipt, 33

over miscellaneous revenues, first step in establishing, 94

over stores, property and expense accounts, importance of, 118, 119

to be exercised over sinking fund transactions, 66

Controlling accounts. *See* Accounts, Controlling.

Controlling expenditures, ch. VIII. *See* Expenditures, Control of.

Controlling record of invoices, 107

Controlling revenues, ch. VII. *See* Revenues, Control of.

Coöperation among city officials desirable in reorganization work, 189, 194, 196

Corrals, unit cost of operating, U. S. Reclamation Service (Exhibit 27), 174, 175

Correctness,

of expense accounts, necessity for, 83, 116

of reports, 161

of revenue transactions, accountability for, 93

Corrupt practices in delaying vouchering of invoices, 183

Cost,

compared with revenue in statement of revenue and expense, 3

contrasted with service results, 85. *See* Comparison of Costs.

of government not fully shown by functional expense reports, 85

of government related to standardization of supplies and salaries, 197

of obtaining complete and accurate information, ch. XIII.

INDEX

Cost (*Continued*),

- per patient per day in hospitals, how ascertained, 90
- per unit. *See* Unit Costs.
- reduced to comparable basis by unit costs, 86
- reports of, for U. S. Reclamation Service projects (*Exhibits 25-28*), 87, 173-175, 177, 178

Cost accounting,

- analyses necessary for, 78
- consists in gathering costs by units of result, 81
- of U. S. Reclamation Service shows unit costs, 87
- stores accounting necessary for, 133

Cost and functional expense accounts, ch. VI.

Cost classification,

- by activity, 78
- by character of expenditure, 79
- by objects purchased, 79
- by organization units, 78
- necessary for economy and efficiency, 79
- purpose of, 81

Costs,

- incurred differ from cash payments, 4
- unit. *See* Unit Costs.

Cost value vs. present value of properties in detail accounts and inventories, 56

Counterfoils,

- checking of, 98
- defined, 95
- in New York tax system, 99
- of tax bills, transmitted to financial officer, 100
- transmitted daily to financial officer, 96
- use of graduated coupon on, 96
- use of, in financial stationery, 95

Count of stores,

- actual, to be made quarterly, 127
- adjustment of book balances to, 129
- method of making, 128

INDEX

Count of Stores (*Continued*),

should agree with quantities called for by stores ledger,
128

Coupon of tickets returned to comptroller in lieu of counter-
foil, 97

Coupon, graduated,

double, may be used, 96

may fix date of expiration also, 96

method of, used in issuance of money orders, 96

on financial stationery controls collections of agents,
95

Credits, fund. *See* Fund Credits.

Criticisms,

constructive, to be made by department heads, 194

of conditions, to be made after survey, 193

Cross-section paper useful for graphic charts, 167

Current assets and liabilities distinct from permanent funds
and properties, 14

Current assets defined, 23

Current balance sheet. *See* General Account Balance
Sheet.

Current liabilities,

defined, 23

unclaimed salaries and wages to be removed from, 73

Current operation account,

for Montclair, N. J. (Exhibit 29), 210, 211

schedules of, for Montclair, N. J. (Schedules "J" to "P"),
218-219

Current reports necessary, 161

Current surplus. *See* Surplus, General Account.

Custodianship,

fidelity of, proved by inventory, 51

of movable property, control over, ch. IX.

of supplies and materials, control of, 197

responsibility for, located by stores control, 125

Custodians, reports on fidelity of, needed, 161

INDEX

D

Daily report. *See* Reports, Daily.

Date,

- applicable for expense charges to be used, 82
- methods of entering, in subsidiary record, 84
- of cash payment, not to be used for expense charges, 82

- stamp for, used in audit of tax collections, 101

Debits, Fund. *See* Fund Debits.

Debt, bonded. *See also* Sinking Fund.

- created to meet current expenses, shown by successive balance sheets, 50

- distinct from assets and liabilities for current service needs, 14

- excess of permanent property over, may be called surplus, 54

- is future obligation, 48

- provision for retirement of, 63

- relation of, to value of permanent properties, 49

- shown in capital account balance sheet, 46

- value of contrasting with permanent properties, 47

Deficit,

- current, sometimes provided for, by long term bonds, 61

- defined, 25

- in assessments provided by city, entries for, 60

- in general account distinct from capital surplus, 55

- in New Rochelle, effect of recast statements upon, 60

- in New Rochelle's statement reconciled with that in recast statements (Exhibit 10), 44, 45

- in provisions for obligations maturing, 180

- in sinking fund requirements, 68

- or surplus, in balance sheet, 12, 13

INDEX

Definitions of accounting terms,

- accounts payable, 24
- accounts receivable, 24
- administration, 22
- appropriation, 19, 25, 31
- balance sheet, 12, 24
- capital account balance sheet, 46
- capital account cash, 46
- capital assets, 24
- capital liabilities, 24
- capital outlays, 23
- commitment, 25
- contingent liabilities, 24
- cost accounting, 81
- counterfoils, 95
- current assets, 23
- current liabilities, 23
- deficit, 25
- disbursements, 22
- expenditures, 8, 22
- expenses, 22
- financial stationery, 94
- free surplus, 25
- fund balance sheet, 25
- fund credits, 15
- fund debits, 15
- general account balance sheet, 14, 43
- maintenance, 23
- net increase in assets, 12
- operation, 23
- proprietary accounts, 29
- receipts, 22
- receipt voucher, 97
- requisition, 107
- revenue, 22
- serial bonds, 65

INDEX

Definitions of accounting terms (*Continued*),

sinking fund, 63, 64

surplus, 24

trial balance, 24

Delay,

in auditing and vouchering claims, 107, 184

in certifying and vouchering invoices, 107, 183

in payment of claims, causes of, 184

in reorganizing and improving business methods, 189

Deliveries,

acceptance of, creates liability account, 114

invoices showing, record of, 33, 36, 183

on contracts and orders, entries for, 32

prompt knowledge of, by financial officer, 110, 183

register of, forms basis for control over expenses, stores
and property, 118

total of, shown by total of invoice register, 118

Demands for cash. *See* Immediate Demands for Cash.

Department,

budget of, functional segregation for, 202

central purchasing, advantage of, 134

central stores, economy of, 134

certification of payrolls by head of, 153

certification of payrolls by person having knowledge of
accounts of, 153

conditions governing payroll expenditures by, 149

fails sometimes to transmit invoices, etc., promptly to
Department of Finance, 184, 186

fills out pay checks in New York City, 156

of Bellevue & Allied Hospitals. *See* Bellevue & Allied
Hospitals.

of Finance. *See* Finance, Department of.

of Health. *See* Health, Department of.

of Water Supply, Gas and Electricity. *See* Water Supply,
Gas & Electricity, Department of.

payrolls of, information shown by, 151

INDEX

Department (*Continued*),

reorganization in New York of expenditure accounts in each, 203

separate set of accounts may be kept by each, 122, 134

separate stores account for each, 134

state, to audit municipal accounts, 201

Departmental budgets, functional segregation of, 202

Departmental estimates, information regarding personal service to be shown by, 149

Department heads. *See also* Financial Officer.

certification by, 153

classified information for, 153

coöperation of, in reorganization work, 194, 196

monthly statement of condition of appropriations, unexpended and unencumbered balances, etc., for, 187

practices by, before budget conditions were adopted, 150

reports useful to, 187

Deposit of miscellaneous revenues, 97

Depository, amount of cash in each, to be shown in summary of cash transactions, 179

Depreciation,

annual charge to expenses for, 56

property account provides basis for reserves for, 53

provision for, should be included in budget, 56

reported monthly in U. S. Reclamation Service reports, 57

reserve for, to be shown in balance sheet, 56

reserve for, to be treated as insurance against loss, 57

Depreciation ledger accounts kept by U. S. Reclamation Service, 57

Description, detailed, of new procedure to be made, 197

Detail entries. *See* Entries, Detail.

Details,

essential, concentrated daily in reports, 159

of cash payments, 180

INDEX

Details (*Continued*),

- of cash receipts, 179
- of estimated obligations, 180
- of revenue and expense, 181
- of work, often entrusted by administrator to others, 158

Difference,

- between amounts paid and estimated on contracts and orders, 33, 115
- between assets and liabilities accounted as surplus or deficit, 12
- between book balances and inventory of stores, 128

Disbursements, defined, 22. *See also* Payments.

Dispensaries, example of segregated expenditures in work of, 87

Distribution,

- of stores dispensed in functional costs, 133
- of supplies, 83
- of supplies and materials, necessity of, 197

Documents used in collecting revenues. *See also* Stationery, Financial.

- amount printed in, determines amount to be returned by agent, 95
- beginning and ending numbers of, shown in daily report to comptroller, 97
- blank, to be numbered by machine, 94
- books containing, have counterfoils, 94
- collecting agents responsible for, 94
- facts reported in monthly accounting for, 103
- forms of, called financial stationery, 94
- graduated coupon on, controls collections, 95
- issued, must be accounted for in money, 95
- issued, occasional inspection of, 98
- supporting, counterfoils serve as, 95

Double entry system, relation of, to balance sheet, 12, 49

INDEX

E

Economy,

- incentive toward, through comparison of unit costs, 86
- judged by means of unit costs in U. S. Reclamation Service, 87
- of central purchasing and stores departments, 134
- of results, reports on, needed, 161
- of results, stores control gives information essential to, 125

Efficiency,

- hindered by delayed reports, 162
- in administration becomes automatic through cost comparison, 90
- in administration requires control over stores, 124, 125
- in auditing and paying claims in New York City, 184
- in personal service, how established, 142
- judged by unit costs in U. S. Reclamation Service, 87
- obtained through central purchasing and stores departments, 134
- of administration, how judged, 85
- of employees, basis for determining, 142
- of organization, cost analyses necessary for judgment of, 79
- of purchasing agent, analysis for determining, 80
- of purchasing and contracting, cost analysis necessary for judgment of, 79
- of results obtained, reports needed on, 161
- of subordinates in using property, 53
- secured through comparing expenses with units of results, 187

Efficiency record,

- for city employees seldom kept, 141
- each officer to work against his own past, 86
- made possible through property account, 53
- of administration, how judged, 85
- service reports to conform to classification for, 143

INDEX

- Efficiency standards,**
 - obtained through unit costs, 87
 - seldom provided for city employees, 141
- Election, increase of employees before, 150**
- Employees, city,**
 - benefit of property account to, 53
 - coöperation of, in reorganization work, 194
 - efficiency record seldom provided for, 141
 - relative worth of, judged by time record, 148
 - to have copies of manual, 198
 - to make certified record of their time and service results, 142
 - vs. employees in private business, 141
- Employment, information regarding various grades of, 149**
- Encumbrances against authorizations,**
 - contracts and open orders to be recorded as, 15, 31, 113, 115
 - disregarded in New Rochelle statement, 19
 - not made by unit price contracts, 114
 - to be entered at fixed or estimated amounts, 31, 114
- Entries, detail,**
 - for contracts and open orders, 31
 - for expenditures, 29
 - for stores dispensed, 129, 130
 - for sub-classification of expenses, 90
 - for vouchers, 32
- Entries, journal,**
 - chart of capital account, 208
 - chart of general account, for Montclair, N. J. (Exhibit 31), 221
 - collateral. *See* Entries, Secondary.
 - for adjustment of stores balance with stock on hand, 129
 - for articles issued, 139
 - for assessable improvements, 59
 - for cost and depreciation reserve of property, 58

INDEX

Entries, journal (*Continued*),

- for revenues from accrual registers, 102
- for total of invoice register, 118
- for total of voucher register, 118
- for totals of contract and order registers, 117
- for uncollectible taxes, 37
- from monthly report of stores dispensed, 127, 130
- from total of inventory of stores, 135
- in general account when sinking fund installments are paid, 70, 71
- when authorizations become effective, 28, 34
- when budget funds and miscellaneous revenues are received by sinking fund, 68, 71
- when cash in sinking fund is invested in interest-paying securities, 69, 71
- when cash is received from taxes and other sources; also collateral entry, 30, 35
- when contracts are awarded and orders issued, 31, 35
- when deliveries are made and invoices received, 32, 36
- when interest is earned by sinking fund, 69, 70
- when investments are purchased at premium, 69, 71
- when loans are made in anticipation of collection of taxes; also collateral entry, 33, 34, 36
- when receipt voucher is received from treasurer, 97
- when report of money collected is received from collecting agent, 98
- when sinking fund requirements are determined, 67, 70
- when taxes in arrears are collected, 68
- when tax roll is levied; also collateral entries, 29, 34
- when vouchers are drawn; also collateral entry, 32, 36

Entries, secondary (or collateral),

- from total of voucher register, 119
- when cash is received, 30, 35
- when loans are made in anticipation of taxes, 34, 36
- when provision is made for uncollectible taxes, 37
- when sinking fund installments are paid over, 70, 71

INDEX

- Entries, secondary (or collateral) (*Continued*),**
 when tax roll is levied, 29, 34
 when vouchers for invoices are approved, 32, 36
- Equalizing fluctuations in prices, methods of, 131**
- Equipment. *See also* Supplies and Materials; Stores.**
 represents value as much as cash in treasury, 125
 small, control of, 138
- Estimate,**
 aided by comparative statement of expenses of past periods, 183
 for personal service, information to be shown by, 149
 for replacement, to be based on property account, 53
 of cost of contracts and orders to be made, 114, 115
 of obligations to be met, details of, to be shown, 180
 of periods of future use of property for inventory, 52
 of probable expenses, customary, 2
 of receipts from miscellaneous sources, unrealized balance of, 16
 of supplies and materials, to be based on goods consumed, 133
- Estimate and Apportionment, Board of, adopted principle of segregated budget in New York, 202**
- Estimated cost of contracts and orders,**
 adjustments when actual cost differs from, 115
 to be made, 114
- Estimated receipts from miscellaneous sources, unrealized balance of, must be met, 16**
- Estimated revenues required to meet budget authorizations,**
 account of, not readily kept by each department, 122
 credited when cash is received, collateral entry, 30, 35
 credited when tax roll is levied, collateral entry, 29, 34
 debit account of, for New Rochelle explained, 42
 debited when appropriations become effective, 28, 34
 debited when taxes in arrears are paid into sinking fund, 68
 substitution for, in capital account fund balance sheet, 41

INDEX

Estimated revenues to meet budget authorizations (*Continued*),

what shown by credit balance in account of, 39

what shown by debit balance in account of, 40

will show whether sufficient revenues have been realized, 39

Evidence,

as to revenues accrued, character and availability of, 93

as to revenues and expenditures contrasted, 93

as to revenue which should accrue and amount unpaid, 92

first requisite in establishing efficiency in personal service,
141, 142

in revenue transactions controlled by city, 93

obtained by certification of orders and invoices, 106

of primary importance in control of revenues and ex-
penses, 105

secured through definite procedure prescribing standards,
105

Examinations, periodical, of accounting procedure, 198

**Excess of revenue over cost or cost over revenue shown in
statement of revenue and expense, 3**

Executive. *See* Administrator; Financial Officer.

Expenditure accounts. *See also* Expense Accounts.

classified, necessity of, 45

for U. S. Reclamation Service show unit costs, 87

installed with aid of Bureau of Municipal Research, 203

necessity for proving, 116

system of, by functional activities necessary, 203

Expenditures,

city must determine facts regarding, 93

classification by objects of, 77

comparison of, with other cities, 85

controlled by general ledger entry, 29

controlling and recording, ch. VIII.

control of. *See* Expenditures, Control of.

cost by character of, 79

current information regarding, 76

INDEX

Expenditures (*Continued*),

- defined, 8, 22
- division of, for classification, 78
- efficiency of, how judged, 85, 86
- for payrolls, control over, in New York City, 148
- for personal service, 149
- how governed, 26
- how to chart, graphically, 168
- main divisions and subdivisions of, in Bellevue & Allied Hospitals, 88
- New Rochelle's statement of, analyzed, 9
- of public funds for reorganization work, 190
- recording of, in fund account and asset or expense account, 44
- represent service rendered or properties acquired, 11
- requisition necessary for incurring of, 107
- result of, 11
- utility of segregating, example of, 87

Expenditures, control of, ch. VIII.

- compared with that of revenues, 93
- for personal service, 148
- how established, 117
- procedure for, 105
- through invoices and certification of vouchers, 110
- through issuance of orders and contracts, 108
- through locating responsibility, 105
- through requisitions, 107

Expenditures, recording of, ch. VIII.

- controlling accounts in, 117, 118
- how proved, 116
- to begin with orders and contracts, 113
- treatment of vouchers in, 115
- various essential records for, 121

Expense accounts,

- by functions, not sufficient, 85
- charges to, for requisitions, 83

INDEX

Expense accounts (*Continued*),

charges to, for stores, affected by fluctuations in prices,
131

debited from monthly summary of stores dispensed, 130

detail, classification and analysis of, 78

illustrations of segregated, 87

labor involved in keeping of detailed, 85

method for proving, 83, 84

methods of classification of, 77, 78

necessity for proving correctness of, 83, 116

stores accounting necessary for proper, 83, 133

utility of properly classified, 76, 77

Expense, all items of, to be charged to controlling account,
84

Expense charges. *See* Expenses.

Expense classification,

by departments, 77

by objects of expenditure, 77

for Bellevue & Allied Hospitals, 88

prevalent methods of, 77

principles underlying proper, 78

utility of, 76

value of, to public officer, 164

Expenses,

and revenues, ch. I.

debited when invoices for deliveries are received, 32, 36

debited with monthly total of invoice register, 118

defined, 22

entry of, in subsidiary record, 84

estimate of probable, 2

incidental, apportioned for job costs, 81

include all liabilities incurred, 4

incurred, analysis of, 181

methods of classification of. *See* Expense Classification.

prepaid, to be shown in balance sheet, 20

principles underlying classification of, 78

INDEX

Expenses (*Continued*),

- prompt information about, not secured through fund accounts alone, 45
- purpose of statement of, 6
- sinking fund installments debited, when budget funds are received, 70, 71
- to be charged as of date applicable, 82
- to be charged to a single controlling account, 84
- to be compared with units of results, 187
- value of comparative statement of, 183

Expert on accounting methods, advisable in cities over 30,000, 201

Expert service,

- funds for, in reorganization work, 190
- need of, in reorganization work, 189, 192

Experts, local, may form advisory committee in reorganization work, 192

Expiration, date of, may be fixed in financial stationery by graduated coupon, 96

F

Facts to be recorded,

- about expenditures and liabilities incurred, 44
- about fund accounts, 28
- about operations, 2
- in capital account balance sheet, 46
- must be currently available, 161
- regarding permanent properties owned and bonds outstanding, 50

False certification,

- in audit of claims, 106
- in payrolls, 156
- in verification of time and service reports, 143
- of gang reports by foremen, 147

INDEX

Fees, permitted to accrue, 93

Fidelity,

of custodianship, proved by inventory, 51

of custodians, reports needed on, 161

of subordinates, aided by property account, 52

Finance, Department of,

accounting system of, reorganized in New York City, 203

delay in passing claims through, 184

delay in transmitting evidence of claims to, 184

procedure for audit and payment of claims in New York City by, 184

report of time required to pay claims in New York City by, 185

representative of, to make periodical examination, 198

Financial officer,

audit and payment of payrolls by, 154

audit of claims by, 106, 111, 183

controls financial stationery, 94

daily report of money collected and counterfoils transmitted to, 96

form of daily report of money collected to (Exhibit 15), 96, 97

has jurisdiction over centralized accounting system, 122, 134

illustrations of use of reports by, 182-187

indicates on tax roll copy daily amounts paid, 101

knowledge of, as to revenues of city, 92

methods of arousing public sentiment for reorganization by, 190, 191

needs coöperation of officials in reorganization work, 189, 190

receipt voucher transmitted by treasurer to, 97

receives copies of tax rolls and tax bills, 100

receives monthly accounting for financial stationery, 102

receives monthly report from cashier in New York City, 103

INDEX

Financial officer (*Continued*),

- reorganization of departmental accounts of New York City by, 202-204
- reorganization of Department of Finance of New York City by, 203, 204
- reports of money collected transmitted to, 95
- reports required by, 176
- reports to, 96
- through graduated coupon, has evidence for auditing cash collected, 96
- to approve important steps in reorganization work, 196
- to have an original copy of contracts, 113
- to have frequent reports of time required to pay claims, 184
- to have prompt knowledge of all deliveries, 110, 183
- to keep and exercise control over sinking fund accounts, 66
- to know of all delays in audit and payment of claims, 107
- to know of all delays in certification and vouchering of invoices, 107
- to prepare monthly report of condition of each appropriation account, 120
- to receive copy of invoices, 110, 183
- to receive report of invoices not vouchered, 183
- to receive reports of vouchers for which checks have not been drawn, 184
- value of report of obligations maturing to, 180, 182

Financial program. *See* Program, Annual Financial.

Financial relations combined in consolidated account, 17

Financial statements. *See* Statements.

Financial stationery. *See* Stationery, Financial.

Financial steering chart, 38

Financing of maturing obligations, statement showing, 180

Flat-writing machine with adding attachment used for New York tax bills, 100

Fluctuations in prices,
how equalized, 131

INDEX

- Fluctuations in prices** (*Continued*),
 important in controlling accounts and charges to expense
 accounts, 131
- Forecast** should be based upon previous year's operations, 2
- Foremen**,
 certification by, constitutes legal responsibility, 147
 to prepare gang reports, 146
- Forms**,
 accounting, to be purchased under supervision, 201
 accounting, to conform to procedure, 201
 for segregated budget, to be provided by comptroller, 202
 of documents. *See* Documents.
 of stationery. *See* Stationery, Financial.
- Free surplus**,
 explained, 25
 how obtained, 17, 40
 in sinking fund, 66, 69
- Frequency of reports**, 160, 161
- Function**,
 method of entering, in subsidiary record, 84
 of accounting, 2, 74
 of appropriation account, often not clearly indicated by
 title, 78
 of statement of cash inflow and outflow, 10
 of statement of revenue and expense, 10
 report of expenses by, not sufficient, 85
- Functional expense and cost accounts**, ch. VI.
 for a health department, 79
 for Bellevue and Allied Hospitals, 87
 job costs necessary in, 80
 physical records and unit costs aid in, 85
 requisite in proper system of accounts, 197
 stores accounting necessary for, 83, 133
 stores dispensed summarized monthly according to, 127,
 130
- Functional segregation of budget in New York City**, 202

INDEX

Fund accounts,

amount of vouchers approved for payment only, to be charged against, 33

amounts of vouchers transferred from voucher register to, 115

and appropriation accounts, ch. III.

available balance account necessary in, 129

balances of, give fund balance sheets, 38

collections from assessments to be entered in capital account, 60

complete statement of, needed by public officer, 160

contracts and orders to be immediately entered in, as encumbrances, 31, 113, 114, 115

detail, carried in subsidiary records, 17

development of, 28

for bond funds separate from those for revenue funds, 41

information from, important but seldom shown, 39

information furnished by, 27

monthly statement of condition of, 186

payroll charges to, summarized, 155

payrolls must be proper charges against, 153

produce fund balance sheet, 16

provide for adjustment of actual and estimated amounts of contracts and orders, 115

secondary or collateral entries in. *See* Entries, Secondary.

special, condition of, to be shown in report monthly, 120

summary, carried in general ledger, 17

to be charged whenever money expended or liability incurred, 44

unapplied (net cash) balance account necessary in, 30

utility of capital account, 60

Fund balance sheet,

defined, 25

different from asset and liability statement, 16

elements of, 14

explanation of, 38

INDEX

- Fund balance sheet** (*Continued*),
for Montclair, N. J., of appropriations and bond funds
(Exhibit 30), 220, 221
for New Rochelle, N. Y., general and capital account
(Exhibits 7 and 8), 38, 39
how produced, 16, 17
information shown in, 15
of appropriations (Exhibits 7 and 30), 38, 39, 220, 221
of bond funds (Exhibits 8 and 30), 38, 39, 220, 221
relation of, to general account balance sheet, 40
shows prospective and permissive relations, 16
supporting schedules of, for Montclair, N. J. (Schedules
"Q" to "S"), 220, 221
value of, 27, 60
- Fund credits,**
defined, 15
general ledger entry of, 28
- Fund debits,**
defined, 15
general ledger entry of, 28
- Fund or appropriation ledger.** *See* Appropriation or Fund
Ledger.
- Funds, appropriated, in New Rochelle statement, analysis of,**
19
- Funds for reorganization work, how secured, 190, 193**
- Funds, properties and equipment provided by revenue, title
for excess of permanent property over bonded debt,**
55
- Furniture and fittings, example of subdivision of, in Bellevue
and Allied Hospitals, 89**

G

- Gang reports,**
carbon copies may be used for, 147
certification of, by foreman, 147

INDEX

- Gang reports** (*Continued*),
 prepared by foreman for laborers, 146
 vs. time books, 147
- General account**,
 balance sheet of. *See* General Account Balance Sheet.
 cash transactions in, statement of, 179
 charged with capital outlays when provided by appropriations, 46
 debited, when stores are used on new construction, 137
 distinct from permanent funds and properties, 14
 entries in group of accounts of, when sinking fund installments are paid, 70, 71
 fund balance sheet of, for New Rochelle, N. Y. (Exhibit 7), 38, 39
 provision for obligations maturing in, 180
 salaries and wages charged to, and apportioned from, 80
 stores, part of assets of, 137
- General account (current) balance sheet**, ch. II.
 defined, 14, 43
 discussion of recast statement of, for New Rochelle, N. Y., 20
 forms supporting schedule to summary consolidated balance sheet, 55
 of Montclair, N. J. (Exhibit 29), 210, 211
 of New Rochelle, N. Y. (Exhibit 4), 18, 19
 purpose of, 43
 recast statement of, for New Rochelle, N. Y. (Exhibit 5), 18, 19
 relation of, to fund balance sheet, 40
 supporting schedules of, for Montclair, N. J. (Schedules "A" to "E"), 211-215
- General fund**, unexpended balance of monthly quota in New York reverts to, 149
- General ledger**,
 chart of entries in, for Montclair, N. J. (Exhibit 31), 221
 controlling accounts of expenditures in, 118

INDEX

- General ledger (*Continued*),**
cost and depreciation reserve shown in, 58
entries in, 28-36
single controlling account in, for all items of expense, 84
summary fund accounts carried in, 17
- General ledger accounts, produced by recording transactions**
in a fund account and an asset or expense account,
44, 45
- General ledger control.** *See* Control.
- General ledger controlling accounts.** *See* Accounts, Controlling.
- General ledger entries, 28-36.** *See* Entries, Journal.
in tabular form, 34-36
only of periodical totals, 30
when invoices serve as vouchers, 33
when sinking fund installments are paid, 70, 71
- Glossary of accounting terms, 22-25.** *See* Definitions.
- Goods issued.** *See also* Stores Dispensed.
form basis for apportioning costs, 133
monthly totals of, only posted, 126
receipt on requisition for, 127
- Goods ordered, to be shown in stores ledger accounts, 136**
- Goods received,**
certification of order for, 109
controlled by asset and liability accounts, 33
currently reported at catalogue price, 131
independent inspection of, necessary for audit of claims,
106
monthly totals of, posted, 126
need as careful checking as cash, 112
procedure for control of, 106
to be accompanied by invoices, 110
- Grades of employment,**
incorporated in salary and wage schedule in budget, 149
number of incumbents in, 149
rate of compensation of, 149

INDEX

Graduated coupon. *See* Coupon, Graduated.

Graphic charts,

description of, 167, 168

value of, 167

H

Health, department of,

classified information for, 164

example of expense classification for, 79

functions of, 79

reclassification of budget of, in New York City, 202

subclassification in, essential to consideration of results,

80

Hospitals,

example of segregated expenditures in work of, 87

general classification adopted by several, 90

method of posting supplies for, 129

I

Immediate demands for cash,

excess of cash over, in capital balance sheet, 54

opposed by cash, 21

relation of, to unapplied net cash balance, 38

Improvement of methods,

causes of delay in effecting, 189

of accounting and reporting, need for, 188

of procedure, suggested by periodical examination, 199

Improvements. *See also* Improvements, Assessable.

entries for outlays for, 59

financing of, steps taken and to be taken in, 14

outlays for, treated in capital account balance sheet, 46

permanent, charged when improvement is completed, 59

INDEX

- Improvements, assessable,
 - advances for, not part of "cost of the city," 9
 - entries for, 59
 - funds for, not to be included in general account balance sheet, 18
 - included in capital accounts, 58
 - money recovered from, should retire bonds issued for, 59
- Incidental expenses apportioned to job costs, 81
- Income from trust funds, how treated, 73
- Increase in assets, net, defined, 12
- Incumbents, number of,
 - in each grade of employment, 149
 - shown on payroll voucher, 155
- Individual services, record of, necessary, 144, 148. *See also* Time and Service Reports.
- Individual time record, example of (Exhibit 23), 148, 149
- Information,
 - accuracy of, in property accounts, proved by inventory, 51
 - accurate, cost of obtaining, ch. XIII.
 - available in fund balance sheet, 15
 - exact, necessary for administrative policy, 77, 157
 - for "replacements," necessary, shown by inventory, 52
 - needed at end of fiscal period, 2
 - needed in accounting record, 74
 - regarding current expenditures, 76
- Inspection,
 - independent, of goods received or services rendered for audit of claims, 106
 - of collecting agent's office necessary, 98
 - of tax collector's office made monthly, 101
 - of tools, etc., periodically, 139
 - periodical, for conformity to procedure, 198
 - system of, provides for accounting and administrative control, 118

INDEX

Inspectors, time required to pass claims by, in New York City, 185

Installation,

methods of, 194, 195

of accounting system, effect of, in New York City, 184

of accounting system in New York City, 202

of devices for reporting delays in audit and payment of claims, 107

of devices for reporting delays in certifying and vouch-
ering invoices, 107

staff for, organized by comptroller of New York City, 204

Installments. *See* Sinking Fund Installments.

Instructions for new procedure, 195

Interest,

earned by sinking funds, affects yearly payment, 64, 66

entries in sinking fund for, 69

Inventory,

adjustment account for, 129

causes of difference between book balances and, 128

constitutes first step in establishing stores system, 135

entries for total of, 135

form of continuing, used by Bellevue and Allied Hos-
pitals, 126

form of, for property accounts in Philadelphia (Exhibit
11), 50, 51

method of taking, 135

necessary to set up property accounts, 57

of debts and properties, summary of, 48

of property accounts in Philadelphia, description of, 51

of stores, concerned primarily with quantities, 131

perpetual, of stores on hand, 127, 128

should show cost value of property, 56

value of, 51

Investigation,

matters requiring, shown by daily reports, 159

method of making, for reorganization work, 192

INDEX

Investigator,

- character of, for reorganization work, 192
- making survey, should carry out recommendations, 194
- report of, to be submitted to department heads, 194
- results of survey by, 193

Investments,

- amount of, to be shown in sinking fund balance sheet, 65
- and cash, relation of, to reserve required to meet bonded debt, 66
- of sinking funds, effect on annual payments of, 64
- of sinking funds, entries for, 69
- of trust funds, in trust fund balance sheet, 72
- purchased at discount, entries for, 70
- purchased at premium, entries for, 69

Invoice liabilities should be known, 20

Invoice register,

- column for stores in, 126
- columns in, for transactions entered chronologically, 84
- entries from, 118
- entries when used also for voucher register, 33
- establishes control over expenses, stores, and property, 118, 119

Invoices,

- check for delays in certifying and vouchering, 107, 183
- entered in stores ledger according to articles, 127
- not always promptly transmitted to Department of Finance, New York City, 186
- not vouchered, report of, 183
- procedure for approval and certification of, 106
- procedure for, in New York City, 184
- received, to be reported, 186
- registering of, on receipt, 107, 183
- serving as vouchers, entries for, 33
- vendor to deliver several copies of, 110
- when received and registered, entries for, 32, 33

INDEX

Invoices payable,

- account of, dropped when invoices serve as vouchers, 33
- credited in general ledger, 33
- credited when invoices are received, 32, 36
- debited when vouchers are approved, 32, 36

Issuance of contracts and open market orders. *See* Contracts and Open Market Orders.

Issuance of licenses. *See* Licenses.

J

Job costs,

- elements of, 80, 81
- requisite in proper system of accounting, 197

Journal entries. *See* Entries, Journal.

L

Labor,

- cost of, in keeping sub-classification of expenses, 90
- involved in keeping expense accounts, 85

Ledger. *See* Appropriation Ledger; General Ledger; Stores Ledger.

- loose-leaf, advantage of, for stores ledger, 133

Legislative body may promulgate accounting procedure as an ordinance, 198

Levy of tax roll, resultant entries of, in general ledger, 29

Liabilities,

- capital, defined, 24
- created when deliveries are accepted, 114
- current, defined, 23
- current, unclaimed salaries and wages to be removed from, 73
- demand, included in capital as well as general account, 47
- differ from authorizations, 14
- for construction certificates, 18

INDEX

Liabilities (*Continued*),

- incurred only under authorizations, 15, 26
- invoice, to be shown, 20
- liquidated by vouchers, 114
- not yet matured, cash available for, 32
- outstanding, records showing, 4
- outstanding, to be shown in monthly statement, 186
- weighed against assets in balance sheet, 12

Liabilities, contingent,

- cannot be met by stores, 137
- dealt with in fund balance sheet, 40
- defined, 24
- details of, how carried, 38
- of any appropriation, defined, 116
- opposed in fund balance sheet by resources, actual and prospective, 38
- set up by crediting reserves for contracts and open orders, 31
- to be immediately recorded, 31

Liabilities incurred,

- entered under expenses, 4
- must be recorded in fund account and asset or expense account, 44
- only under authorizations, 15, 26
- to be under definite procedure, 105

Liability accounts, created upon delivery of goods, 114

Licenses,

- control of stationery used in issuing, 94
- documents for, have counterfoils, 94
- not collected, 93

Line schedule. *See* Schedule Line.

List price, use of, in stores accounting, 131

Loan funds. *See* Bond Funds.

Loans,

- authorized and unissued in capital account fund balance sheet, 41

INDEX

Loans (*Continued*),

negotiated on favorable terms, through statement of obligations maturing, 183

temporary. *See* Temporary Loans.

value of balance sheet in negotiating, 54

Loans in anticipation of collection of taxes or other revenues, entries for, 33, 36

exceed taxes receivable in New Rochelle, 20

Local advisory committee, value of, 192

Local improvements in progress,

charged with outlays for improvements, 59

credited when improvement is completed, 59

Long term bonds, used to make up current deficiencies, 61

Losses,

credit entry in property ledger for, 58

prevented by audit of receipts and physical inspection, 98

prevented by stores control, 124

property account lays foundation for audit of, 53

M

Maintenance,

cost of, shown in statement of revenue and expense, 3

defined, 23

Management,

importance of reports in, 159

time and study essential for successful, 159

Manual,

accounting forms to conform to, 201

of business and accounting procedure, 197

Market price,

adjustments for, 132

used for stores, 131

Material account, materials charged to, and apportioned from, for job costs, 81

INDEX

Materials. *See* Supplies and Materials.

Maturing,

of bonds, necessity for retirement at, 61, 64

of contingent liabilities, resources for, 38

of loans, provision for, 34

of obligations, and provisions for, shown in statement, 180

Meetings, public, may aid in reorganization work, 191

Memorandum bill mailed to taxpayer on request, 99

Memorandum record, insufficient for appropriation accounting, 116

Mess houses, unit cost of operating, U. S. Reclamation Service (Exhibit 26), 174, 175

Methods of,

accounting. *See* Accounting Methods.

budget-making, 191

classifying expenses, 77

purchasing, 191, 197

reorganization and installation, 194, 195

Methods of reporting,

for use of financial officer, 176-182

need for improvement of prevailing, 188

principles governing, 160-169

used by American Telephone & Telegraph Co., 169-172

used by U. S. Reclamation Service, 172-178

Metz Fund, information requested from, 188, 199

Miscellaneous revenues, control of, 94-98

Modification,

of accounting procedure, how made, 198

of accounting procedure, suggestions for, 199

of line schedule, how made, 149

Money borrowed. *See* Loans in Anticipation of Collection of Taxes or Other Revenues.

Money collected. *See* Collections of Cash.

Montclair, N. J., ch. XIII.

accounting system carried on by one clerk, 208

accounting system of, 207-221

INDEX

- Monthly payrolls, paid by check, 156
- Monthly quota,
 of salary and wage schedules limited to one-twelfth of
 total amount, 149
 unexpended balance of, in New York City, 149
- Monthly reports. *See* Reports, Monthly.
- Monthly totals. *See* Totals, Registered.
- Monthly trial balances, desirable, 187
- Multiple copies,
 of invoices, 110
 of orders, 109
 of tax bills, 99
- Municipal accounting system. *See* System of Accounting.
- Municipal research bureaus. *See also* Bureau of Municipal
 Research.
 member of, to outline reorganization work, 191
 standards of, 192
- Municipal storekeeping, ch. IX.
 cost of, outweighed by savings effected, 125

N

- New Rochelle,
 balance sheet, capital account for (Exhibit 9), 44, 45
 criticism of statement of receipts and expenditures for, 8
 current balance sheet for (Exhibit 4), 18, 19
 description of current balance sheet for, 18, 41
 description of recast balance sheet, general account, for,
 19
 effect of recast statements upon deficit in, 60
 explanation of surplus or deficit account for, 21
 fund balance sheet, general and capital account, for (Ex-
 hibits 7 and 8), 38, 39
 recast balance sheet, general account for (Exhibit 5),
 18, 19
 recast statement of revenue and expense for (Exhibit 2),
 8, 9

INDEX

New Rochelle (*Continued*),

receipts and expenditures for (Exhibit 1), 8, 9

statement reconciling deficit for (Exhibit 10), 44, 45

summary consolidated balance sheet for (Exhibit 14),
72, 73

surplus or deficit account for (Exhibit 6), 18, 19

Newspapers may aid in creating public sentiment for reor-
ganization, 191

New York City,

auditing and paying claims in Department of Finance of,
184

classification adopted by several hospitals in, 90

description of payroll form used by a department of, 154

example of payroll voucher used by a department of
(Exhibit 24), 154, 155

example of segregated expense accounts in a department
of, 87

experience of, in reorganizing accounting methods, 202

form of continuing inventory kept by a department of,
126

form of individual time record used in a department of
(Exhibit 23), 148, 149

form of stores ledger used in a department of (Exhibit
21), 126, 127

form of weekly time report used in a department of
(Exhibit 22), 146, 147

method of controlling payrolls in, 148

system of tax collection in, 99

Numbers,

code. *See* Code Numbers.

placed on claims in New York City, 185

O

Obligations,

bond, 64

current, for capital outlays, 46

INDEX

- Obligations (*Continued*),
 details of cash available for, 181
 details of estimated, to be shown, 180
 maturing, statement of, 180
- Officer. *See* Public Officers.
- Open orders. *See* Orders, Open.
- Operation, defined, 23
- Operation account,
 current, for Montclair, N. J. (Exhibit 29), 210, 211
 current, schedules supporting, for Montclair, N. J.
 (Schedules "J" to "P"), 218-219
 explains surplus account, 13
- Operation and maintenance cost,
 in Bellevue and Allied Hospitals, 88, 89
 shown in statement of revenue and expense, 3
 stores held to meet, form part of assets, 137
- Operations,
 facts to be recorded about, 2
 reports required for understanding financial, 176
- Order register provides total of orders registered for month,
 117
- Orders and contracts. *See* Contracts and Orders.
- Orders, open market. *See also* Contracts and Orders.
 account to be kept with each concern for, 121
 amounts of, may differ from estimates, 33, 115
 as encumbrances, should be known, 15, 113, 114
 certification of, 106
 constitute contingent liabilities, 24
 entries for deliveries against, 32
 entries for, from registered totals of order register, 31,
 35, 117
 form of, in Cincinnati, O. (Exhibit 19), 110, 111
 original, to be certified to by receiver of goods, 109
 procedure in issuance of, 108
 to be immediately recorded as encumbrances, 31, 113, 114
 to be prepared in multiple, 109

INDEX

- Orders, open market (*Continued*),
 to have separate record from contracts, 115
 when issued to be registered against appropriation, 113,
 114
 when issued to have estimated cost noted, 114
- Ordinance, accounting procedure may be promulgated as, 198
- Organization,
 cost by units of, 78
 form and structure of, studied in general survey, 193
 importance of reports in, ch. XI.
 of local advisory committees in reorganization work, 192
 of system of general ledger controlling accounts, 195
- Organization units, cost by, 78
- Outlays, capital. *See also* Properties, Permanent; Improve-
 ments.
 defined, 23
 entries for, 59
 procedure when money for, provided by appropriations,
 46
 status of, shown in capital account balance sheet, 46
- Outstanding accounts receivable, resource to meet authoriza-
 tions, 16
- Outstanding liabilities to be shown, 4, 186
- Overborrowing, prevented by statement of obligations matur-
 ing, 183
- Overhead expense,
 difference between cost price and catalogue price consti-
 tutes, 132
 tools and equipment consumed constitute, 140
- Over-purchasing, prevented by stores accounting system, 133
- Overtime allowed must be certified to as due to emergency,
 153

P

- Past periods, comparison with, aid in judging work accom-
 plished, 21. 164

INDEX

- Patient day cost,**
 enables comparison of cost, 90
 in hospitals, how ascertained, 90
- Pavements,**
 cost of repairs for, 85
 unit costs for, 86
- Payable accounts.** *See* Accounts Payable.
- Pay checks,**
 filled out by each department in New York City, 156
 receipt for, 156
 sent to paymaster for registration and signature, 156
 supplied by paymaster in advance, 156
- Paymaster,**
 receives pay checks for registration and signature, 156
 returns pay checks to department, 156
 supplies pay checks to each department in advance, 156
- Payments,**
 annual, to sinking fund. *See* Sinking Fund Installments.
 of claims in New York City, 184
 of claims, reports of time required for, 184
 of payrolls, 154
 preparation of claims for, 106
- Payments, cash,**
 detailed statement of, 180
 differ from costs incurred, 4
 do not determine operation and maintenance cost, 4
 to be entered as of date applicable, 82
- Payroll certification,**
 by head of department, 153
 by person having knowledge of accounts of department, 153
 by person preparing payroll, 152
 importance of, 152
- Payroll forms,**
 analysis section in, 154

INDEX

- Payroll forms** (*Continued*),
 - example of (Exhibit 25), 154, 155
 - in New York City department described, 154
 - payroll voucher in, 155
 - summary sheet in, 155
- Payroll making, ch. X.**
 - certification in, 151
 - in New York City, 148
- Payroll record, entry of approved time and service reports in, 143**
- Payrolls,**
 - audit and payment of, 154, 156
 - basis for preparing, 42
 - certification of, 151-154
 - control of, in New York City, 148
 - examined by civil service commission in New York City, 156
 - forms of, described, 154
 - information shown by, in New York City, 151
 - making of, ch. X.
 - monthly, paid by checks, 156
 - must state if employee is engaged upon work other than that indicated by civil service title, 156
 - prepared from time records, 148
 - receipts for pay checks placed upon, 156
 - weekly, paid in cash, 156
- Payroll voucher,**
 - description of, 155
 - example of (Exhibit 24), 154, 155
- Per capita cost in hospitals, how obtained, 90**
- Percentage basis desirable in charts, 167**
- Percentage ratios in reports, 160, 165**
- Percentages,**
 - desirable in cost accounting, 81
 - desirable in reports, 165
- Periodical examinations, 198**

INDEX

- Permanent funds and properties.** *See also* Properties, Permanent.
distinct from current assets and liabilities, 14
- Permanent improvements** account charged when improvement is completed, 59
- Permits,**
allowed to accrue, 93
control of stationery used in issuing, 94
documents for, have counterfoils, 94
- Personal service,**
control of expenditures for, 149
efficiency of, among city employees, 141
record of individual, necessary, 144. *See also* Time and Service Reports.
requisites in establishing efficient, 142
- Philadelphia,**
consolidated account of (Exhibit 3), 16, 17
experience of, with triplicate rolls, used in New York City, 99
form of inventory for property accounts used in (Exhibit 11), 50, 51
- Physical inspection.** *See* Inspection.
- Physical records,**
defined, 85
necessary for unit costs, 85
not kept by many cities, 87
- Police department,** classified information for head of, 164
- Posting,**
monthly, of total of all transactions to ledger, 84
of expense items to subsidiary record, 84
- Practices,** improper, prevented by budget conditions in New York, 150
- Pre-billing,** experience of Boston in, applied to New York, 99
- Preinspection** of goods often prevented by delay in transmitting invoices, 186
- Preliminary study** in reorganization work, 193

INDEX

- Premium on investments purchased,**
 - amortized by annual charge to sinking fund surplus, 69
 - debited when investments are purchased at premium, 69, 71
- Prepaid expenses to be shown in balance sheet, 20**
- Prices,**
 - fluctuations in, how equalized, 131
 - to cities often higher, because of "slow pay," 184
 - use of market, or catalogue, 131
- Principles in report-making, 160**
- Procedure,**
 - accounting forms must conform to, 201
 - administrative, requires evidence of every revenue transaction, 92
 - for auditing and paying claims in New York City, 184
 - for controlling payrolls in New York City, 148
 - for gaining support for reorganization work, 190, 191
 - for invoices and certification of vouchers, 106, 110
 - for issuance of contracts and orders, 105
 - for orders and contracts, reorganization of, 194
 - for reorganization, 194
 - for reorganization of accounting and auditing, 191
 - manual of business and accounting, 197
 - method for making charges in, 198
- Program,**
 - methods for initiating constructive, 194
 - of reorganization, methods for gaining support for, 190, 191
- Program, annual financial,**
 - desirability of, 1
 - how worked out, 3
 - includes statement of revenue and expense and balance sheet, 13
 - relating to current expenses, 17
 - relation of authorizations to, 19

INDEX

Program, annual financial (*Continued*),

should distinguish between current service and permanent funds, etc., 14

Promptness of reports, 160, 161

Properties, permanent,

acquired, cost of, distinguished from current expenses, 48

acquisition of, represents expenditures, 12

amount for replacement of, 52

assessments on city-owned, 60

construction certificates created in acquiring, New Rochelle balance sheet, 18

continually deteriorating, annual depreciation charge for, 56

excess of, over bonded debt, 54, 55

for which administration is responsible, shown by detail accounts, 51

idle, shown in property accounts, 54

inventory necessary to set up accounts for all, 57

inventory of, for Philadelphia, 51

relation of, to bonded debt constantly changing, 49

status of outlays for, shown in capital account balance sheet, 46

valuation of, at cost or present value, 55

value of contrasting, with bonded debt, 47

Property,

debited from monthly total of invoice register, 118

debited when invoices for deliveries are received, 32, 36

mortality tables or statistics of, provided through inventory, 52, 53

movable, control over custodianship of, ch. IX.

Property account. *See also* Properties, Permanent.

debit entry in, when values of properties are determined, 58

how established, 57

inventory used in relation to, in Philadelphia, 51

INDEX

- Property account** (*Continued*),
 lays foundation for audit of condemnations, up-keep, etc.,
 53
 value of, 51
- Property ledger, real estate,**
 entries in, 58
 facts to be shown in, 58
- Property taxes,**
 chief source of revenue, 93
 control of collection of, 93, 98
- Proprietary accounts.** *See* Accounts, Proprietary.
- Pro rata allowance, monthly or weekly,**
 explanation of, 155
 makes improper practices difficult, 150
 provided in budget, 149
 shown on payroll voucher, 155
 to be shown on payrolls, 151
 waived for seasonal work, 156
- Provision,**
 for financing of maturing obligations, shown in statement,
 180
 for retirement of debt. *See* Sinking Fund.
 for uncollectible taxes, 37
- Public accountant, services of expert, required in reorganiza-
 tion of business methods, 192**
- Public business,**
 accounts should deal with every subject of, 160
 classification necessary in considering, 163
 formerly chiefly learned about through public gossip, 157
 need of accounting methods in, 74
 object of, 1
- Public officers.** *See also* Financial Officer.
 coöperation among, for reorganization work, 189
 use of reports by, ch. XI.
- Public sentiment, how aroused for reorganization work, 190,
 191**

INDEX

"Pull," efficiency records operate against, 141, 146

Purchases,

of accounting forms and account books, 201

separate account with each concern for, 121

unnecessary, prevented by stores system, 133

when made, should be recorded, 45

Purchasing agent, efficiency of, how shown, 80

Purchasing department, central, advantages of, 134

Purchasing methods, ch. IX.

Q

Quantity,

considered primarily in inventory and detail stores accounts, 131

of work performed, evidence of, 144

Quarters, obligations maturing in four, shown in statement, 180

R

Rates, in revenue transactions fixed by city, 93

Readjustment of reserves, when amounts paid and estimated differ, 33

Real estate property ledger, facts to be shown in, 58

Recast statements,

deficit in, reconciled with that shown by New Rochelle's statement (Exhibit 10), 44, 45

effect of, upon deficit in New Rochelle, 60

of New Rochelle's current balance sheet (Exhibit 5), 18, 19

of New Rochelle's revenues and expenses (Exhibit 2), 8, 9

Receipted bill in New York tax system, 99

Receipt of goods, order form to be certified upon, 109

INDEX

Receipts,

- and expenditures defined, 8
- and expenditures, statement of, published by New Rochelle (Exhibit 1), 8, 9
- and payments. *See* Cash Receipts and Payments.
- cash. *See* Cash Receipts.
- control of forms of stationery used in issuing, 94
- for pay checks, 156
- requisitions become, for goods in store, 108, 127

Receipt voucher,

- as basis of entries, 97
- compared with collecting agent's report, 98
- defined, 97
- form of (Exhibit 16), 98, 99
- sent daily to treasurer, 97
- transmitted to chief financial officer, 97

Receivable accounts. *See* Accounts Receivable.

Receiver of goods to have one copy of order, 109

Reclamation Service. *See* United States Reclamation Service.

Reclassification of expenses, obviated by detailed account, 85

Recommendations,

- constructive, how carried out, 194
- made after survey, 193

Recording expenditures, ch. VIII. *See* Expenditures, Recording of.

Record of,

- accounting, information given by, 74
- authorizations, necessary, 27
- cash payments, 7
- claims, reorganization methods in, 195
- classified, expenses invaluable in preparing estimates, 77
- contracts and orders, installation of system of, 195
- contracts, description of, 121
- controlling invoices, 107
- daily certified, time and service, ch. X. *See also* Time and Service Reports.

INDEX

Record of (*Continued*),

- detail, tools and equipment in use kept on cards, 139
- every transaction involving expenditure or liability, 44
- facts, necessity for, 2
- financial stationery given collecting agents, 94
- goods consumed, basis for estimate of supplies and materials, 133
- individual service necessary, 144
- physical things done or service rendered for unit costs, 85
- proper, functional expenses, requisite in system of accounts, 197
- stores. *See* Stores Ledger.
- time consumed in payment of claims in New York City, 184, 185
- time reports. *See* Time Records.
- tools and small equipment seldom kept, 138

"Red tape,"

- defined, 157
- due to lack of information, 157

Register,

- for accruals. *See* Accrual Registers.
- for invoices, 106
- of contracts and orders, against appropriations, 114
- of each class of documents for proving accounts, 117
- of invoices, entries for monthly total of, 118

Registered total. *See* Totals Registered.

Registration of pay checks by paymaster, 156

Regularity of reports, 161

Relation between permanent properties and bonded debt, 49

Relations,

- financial, combined in consolidated account, 17
- prospective and permissive, shown in fund balance sheet, 16

Rents, allowed to cumulate, 93

Reorganization of accounting and business methods, ch. XII. aspects of, 191

INDEX

Reorganization (*Continued*),

- by units, 195
- coöperation of officials necessary for, 189, 190
- methods of conducting, 194, 195, 196
- partial, not effective, 196
- value of local advisory committees in, 192
- ways of securing funds for, 190
- work of, may be outlined by member of municipal research bureaus, 191

Repairs, cost of, per unit of result desired, 86

Replacements,

- of properties, amount for, 52
- of tools, etc., only upon surrender of old, 139

Reports,

- accuracy of, 161
- as a means of making facts readily available, 76
- averages in, 166
- classification in, 163
- comparison in, 164
- completeness of, 160
- current, needed promptly by public officer, 158, 162
- daily, of collections entered in accrual registers, 98
- daily, of money collected, to comptroller, form of (Exhibit 15), 96, 97
- daily, of money collected, to treasurer, form of (Exhibit 16), 98, 99
- daily, of tax collections by tax collector, 100
- daily or weekly from employees, 146
- daily to comptroller, explanation of, 97
- daily to treasurer, by collecting agent, 97
- detailed, of collections sent to treasurer, 97
- effect of requiring, on time required to pay claims, New York City, 184, 185
- essentials of good, 159
- financial, variation in expense classification in, 77
- gang. *See* Gang Reports.

INDEX

Reports (*Continued*),

- graphic charts in, 167
- illustrations of uses of, 182
- importance of property devised, 159
- monthly, at least, required, 82
- monthly, of condition of each appropriation and special fund account, 120, 121
- monthly, of financial stationery, facts shown by, 103
- monthly, of financial stationery required from collecting agents, 102
- monthly, of requisitions, 83
- monthly, of stores dispensed and expense accounts to be charged, 127, 129, 130
- of American Telephone and Telegraph Co., 169
- of average time consumed in paying claims, New York City, 185, 186
- of existing conditions and constructive suggestions, 193
- of expenses, by functions alone, not sufficient, 85
- of expenses to be compared with units of result, 187
- of independent inspection of goods received and services rendered, 106
- of investigator in reorganization work to be submitted to department heads, 194
- of invoices not vouchered, 183
- of invoices received and vouchers withheld, 186
- of money collected, supported by counterfoils, 95
- of obligations maturing, 180, 182
- of revenues received, accountability for prompt, 93
- of time required to pay claims, 184
- of U. S. Reclamation Service, 172
- of U. S. Reclamation Service show unit costs, 87
- of vouchers for which checks have not been drawn, 184
- principles of making, 160
- promptness, frequency and regularity of, 161
- published, often lack summarization, 162, 163
- required by financial officer, 176

INDEX

Reports (*Continued*),

- service. *See* Time and Service Reports.
- showing unit costs, desirable, 86
- summary and detail, 163
- time. *See* Time and Service Reports.
- to financial officer, 96
- to financial officer, form basis of entries, 97, 98
- typography, importance of, in, 169
- unit rates and percentage ratios in, 165
- use of, by public officer, ch. XI.

Reports, annual,

- customary, 1
- insufficient, 82
- of little use as basis for current administration, 7

Requirements, study of, in reorganization work, 192

Requisitions,

- analyses of daily, furnish detail for sub-classification of expenses, 90
- certification of, 108
- definition of, 107
- embodied in report of stores dispensed, 127
- form basis for crediting stores accounts, 127
- form for (Exhibit 18), 108, 109
- for replacement of tools, etc., 138, 139
- for supplies in store, become receipts, 108, 127
- for tools, etc., 138
- installation of system of issuing, 195
- materials charged from, 81
- monthly recapitulation of, for control, 129, 130
- not more than month's supplies to be obtained by, 83
- or stores on hand, must account for stores account, 126
- posting of, in stores ledger, 136
- value may be extended on, 129

Research bureau, municipal. *See* Municipal Research Bureaus.

Reserve for,

- retirement of assessment bonds, credited with collections, 60

INDEX

Reserve for (*Continued*),

- retirement of temporary loans, credited when loan in anticipation of taxes is made, 34, 36
- stores, may offset stores in balance sheet, 137
- taxes in arrears, treatment of, when taxes in arrears are transferred to sinking fund, 68

Reserve for contracts,

- amount of, developed through detail entries in appropriation ledger, 31
- credited from monthly total of contract register, 117
- credited when contracts are awarded, 31, 35
- controls balances in detailed appropriation and contract ledgers, 119, 120
- debited when vouchers are approved, 32, 36, 119
- sets up contingent liability on contracts not delivered, 31
- to be readjusted for difference between estimate and payments, 33

Reserve for depreciation,

- account of, credited if annual depreciation charges included in budget, 56
- based upon property accounting, 53
- credit entry for, in property ledger, 58
- to be shown in capital balance sheet, 56
- treated as insurance against loss from deterioration, 57
- when not provided, period of bonds should equal life of property, 63

Reserve for loss on taxes,

- deducted from taxes receivable to give actual asset, 38
- entry for, in proprietary accounts, 37
- to be included in budget, 37

Reserve for open market orders,

- amount of, developed through detail entries in appropriation ledger, 32
- controls balances in detailed appropriation and contract ledgers, 119, 120
- credited from monthly total of order register, 117

INDEX

- Reserve for open market orders (*Continued*),
 - credited when open orders are issued, 31, 35
 - debited when vouchers are approved, 32, 36, 119
 - to be readjusted for difference between estimate and payments, 33
- Reserve required to retire bonded debt at maturity,
 - contrasted with actual cash and investments in sinking fund, 66
 - credited when sinking fund requirements are determined, 67, 70
 - credited with interest increment contemplated, 69, 70
- Resources (net),
 - actual and prospective, opposed to contingent liabilities, 38
 - to meet authorizations, 15
 - what constitute, 16
- Responsibility,
 - developed in subordinates, 158
 - fixed, by personal knowledge certification, 112
 - for accounting methods to rest upon expert, 201
 - for expenditures, how located, 105
 - for integrity of payrolls, 152
 - legal, for false certification, 106, 143, 147
 - located for custodianship of stores, 125
 - more easily located by central purchasing department, 134
 - of foremen for gang reports, 147
- Restrictions,
 - budget, on payrolls, 149
 - waived, for seasonal work, 156
- Retirement of bonds or bonded debt,
 - few cities have exact methods for, 61
 - provision for, 67. *See also* Sinking Fund.
 - through assessments collected, 59
 - through sinking fund or installment redemption, 61
- Revenue,
 - accruals and collections of, reports on, needed, 161, 181

INDEX

Revenue (*Continued*),

and expense account, or statement. *See* Statement of Revenue and Expense.

based on estimate of expenses, 2

credited, when reports from collecting agents are received, 98

defined, 22

detailed comparative statement of, 181

from taxes, credited when tax roll is levied, 29, 34

miscellaneous sources, credited when cash is received from miscellaneous sources, 30, 35

relation of, to appropriations, 15

taxes, credited with tax levy expected, 37

value of comparative statement of, 183

Revenue accounts,

credited from totals of accrual registers, 102

not usually under accounting control, 93

Revenue funds, distinct from bond funds, 41

Revenues. *See also* Collections of Cash.

and expense, ch. I.

applicable to sinking fund, entries for, 68, 71

collected, transmitted to treasurer or deposited, 97

completeness of accruals of miscellaneous, how controlled, 94

controlled with greater certainty than expenditures, 92

detailed statement of, 181

entries for, 30, 35

example of, allowed to accumulate, 93

expenditures and borrowings, statement of, 1

from certain miscellaneous sources, sometimes diverted to sinking fund, 67

increase in, inquiry as to, 183

Revenues accrued,

analysis of, 181

competent evidence of transactions resulting in, 93

INDEX

Revenues accrued (*Continued*),

completeness and accuracy of account of, how controlled,
94

controlling account for, 102

different from cash received, 3

reduce balance of estimated revenues to meet budget
authorizations, 29

shown in statement of revenue and expense, 3

Revenues, control of, ch. VII. *See also* Collections of Cash.

compared with that of expenditures, 92

how effected, 93

secures accountability of collecting agent, 93

through financial stationery, 94

through general ledger, 101

through reports to financial officer, 96

through treasurer's reports, 97

Revenues receivable,

for general fund, relation of, to available balance, 39

opposed by temporary loans, 21

Revenues uncollected,

opposed by temporary loans, 21

watched through controlling account, 8

Revenue transactions,

detailed statement of, 181

facts of, should be known, 92

financial stationery used in, controlled, 93

rate and condition of, fixed by city, 93

strict accountability for, may be required, 93

Reverting of unexpended balance of monthly quota to general fund, 149

Revision. *See also* Reorganization.

of accounting and auditing procedure, 191, 197

of budget, 191, 196, 197

of method of vouchering and reporting claims, 195

of purchasing, 191

partial, ineffective, 196

INDEX

S

Salaries and wages,

- accrued, treatment of, for job costs, 80
- budget conditions regarding, 149
- established in accordance with charter provisions, 153
- standardization of, related to cost of government, 197
- unclaimed, treatment of, 73
- used for election purposes, 150

Salary and wage schedule, in New York City,

- changed only by appropriating body, 149
- conditions of, 149
- surplus in, formerly used to increase favorites, 150

Sales, credit entry for, in property ledger, 58

Schedule,

- for all claims, in New York City, 185
- of balances of subsidiary record, 84
- salary and wage, changed only by appropriating body, in
New York City, 149
- salary and wage, conditions for, in New York City, 149

Schedule line,

- amounts chargeable to, summarized, 155
- indicated by letter, in payroll form, 155
- information regarding, shown on payrolls, 151
- limits amount of expenditure for stated grade, 149
- modifications of, 149
- only one-twelfth of, to be spent in any month, 149
- title of, shown in payroll voucher, 155

Seasonal work, pro rata allowance waived for, 156

Secondary entries. *See* Entries, Secondary.

Segregation,

- functional, for budget, 202
- of expenses, example of, in Bellevue and Allied Hospitals,
87
- of expenses, utility of, 87

Serial bonds, payments for, 65

Service reports, ch. X. *See* Time and Service Reports.

INDEX

Service results,

- contrasted with cost, 85
- of city employees have not been known, 141
- standards for, 145

Services,

- need of expert, in reorganization work, 192
- of individuals, daily or weekly summary of, 187
- record of individual, necessary, 144
- rendered, independent inspection of, necessary for audit of claims, 106

Sinking fund, ch. V. *See also* Bonds; Debt, Bonded.

- actual and required amounts in, to be shown in balance sheet, 65
- commission for, object and importance of, 64, 65
- defined, 63, 64
- effect of investment upon annual payments to, 64
- how established, 63
- provisions for obligations maturing in, 180
- report of transactions for each cash account in, 179
- requirements for, how provided, 67
- tables for, use of, 66
- well-administered in few cities, 62

Sinking fund accounts. *See also* Bonds.

- condition of, to be reported upon by financial officer, 67
- entries for, when revenues are received from budget, etc., 68
- entries for, when taxes in arrears are received, 68
- how developed, 67
- should be kept by financial officer, 66
- show resources to meet bonded debt, 47

Sinking fund balance sheet,

- example of (Exhibit 12), 72, 73
- facts to be shown in, 65
- relation of, to capital balance sheet, 71
- represented in summary consolidated balance sheet, 73

INDEX

Sinking fund cash,

- credited when cash is invested in securities, 69
- debited when budget funds and miscellaneous revenues are received, 68, 70
- debited when interest is earned, 69
- debited when taxes in arrears are collected, 68

Sinking fund cash requirements,

- credited in some cities when taxes in arrears are collected, 68
- credited when budget funds or revenues are paid into sinking fund, 68, 70
- credited when interest is earned, 69
- debit balance in, to be provided for in subsequent year, 68, 69
- debited when sinking fund requirements are determined, 67, 70
- debited with interest increment contemplated, 69, 70

Sinking fund commission,

- importance of work of, 65
- object of, 64
- to keep accounts as well as financial officer, 67

Sinking fund installments,

- entries for, 70, 71
- example of, for ten-year loans, 64, 66
- for serial bonds, 65
- how computed, 64
- sufficiency or insufficiency of, shown by sinking fund balance sheet, 66

Sinking fund investments (par value) debited when cash is invested in securities, 69, 71

Sinking fund surplus,

- charged when investments are purchased at premium, 69
- excess of cash and investments over required reserve constitutes, 66
- excess of interest collected credited to, 69

"Slow pay," reason why cities have been considered, 184

INDEX

Sources of cash to be shown in reports to financial officer, 179, 181

Special funds. *See* Trust Funds.

Staff, permanent, to be headed by expert on accounting methods, 201

Standardization of supplies and salaries, related to cost of government, 197

Standards,

fixed by definite procedure necessary for control of expenditures, 105

for measuring work, 145

for U. S. Reclamation Service, 87

in contrasting cost with service rendered, 85

of efficiency, 87, 141

set by municipal research bureaus, 192

State department should make systematic audit of municipal accounts, 201

State laws sometimes responsible for poor sinking fund methods, 62

Statement of,

assets and liabilities, 17, 18

expenditures, revenues and borrowings, 1

expenses. *See* Statement of Revenue and Expense.

sinking fund. *See* Sinking Fund Balance Sheet.

Statement of cash inflow and outflow,

desirable, 10

different from statement of revenue and expense, 4, 10

function of, 10

Statement of cash receipts and payments (or disbursements), necessary for financial officer, 179

not shown by New Rochelle's statement of receipts and expenditures, 9

Statement of cash transactions and condition of cash, analysis of, 180

facts to be shown in, 179

forms of, 179, 180

INDEX

- Statement of obligations maturing and anticipated cash,**
facts to be shown in, 180
prevents over-borrowing, 183
value of, to financial officer, 182
- Statement of receipts and expenditures,**
criticism of New Rochelle's, 8, 9
different from, revenue and expense, 4
for New Rochelle (Exhibit 1), 8, 9
- Statement of revenue and expense,**
answers questions about last year's operations, 2
different from cash inflow and outflow, 4, 10
explains changes in assets and liabilities, 5
for Montclair, N. J. (Exhibit 29), 210, 211
function of, 10
is historical statement of facts, 13
relation of, to balance sheet, 6
schedules of, for Montclair, N. J. (Schedules "J" to "P"),
218-219
shown in recast New Rochelle statement (Exhibit 2),
8, 9
shows excess of revenue over cost or vice versa, 3
to be supplemented by detailed statements, 181
value of comparative, 183
- Statements,**
clearness an essential quality of, 21
completeness in, 160
current and intermediate, supplementing summary balance
sheets, etc., 176
financial, 5
monthly, of condition of appropriations and funds, 186
- Stationery, financial,**
accounting for, by monthly reports, 102
defined, 94
effect of city's control of, 93
how controlled, 94, 95
- Stock. See Stores on Hand.**

INDEX

Storehouse, central, economy of, 134

Storekeeper,

currently reports goods taken into stores on special form
at catalogue price, 131

takes receipt on requisition for goods dispensed, 127

Storekeeping, ch. IX.

cost of, outweighed by savings effected, 125

Storeroom, arrangement of, 136, 137

Stores. *See also* Stores Account; Stores Accounting System.

accurate information about, not secured through fund accounts, 45

actual count of, should be made quarterly, 127

code numbers for kinds of articles in, 136

dispensed, receipt on the requisition for, 127

fluctuation in prices of, 131

form part of assets of general account, 137

necessity for control over. *See* Stores Control.

not available for meeting contingent liabilities, 137

report of, furnishes detail for subclassification, 90

requisitions become receipt for, 108

to be excluded from surplus of assets in balance sheet, 137

used on new construction, to be charged to capital account, 137

Stores account. *See also* Stores.

balance of, should agree with total of balances of stores ledger, 128

credited from monthly report of stores dispensed, 127, 130

credited when worn out tools are given in, 139

credited with articles issued, 139

debited from report of stores received, 131

debited from total of original inventory, 135

debited when invoices for deliveries are received, 32, 33, 36

debited with monthly total of invoice register, 118, 126

debited with supplies bought, 83

for each department under centralized accounting system, 134

INDEX

Stores account (*Continued*),

may be charged with tools, etc., 138

may be offset by reserve for stores in balance sheet, 137

must be accounted for, by stores on hand or requisitions,
126

treatment of, in balance sheet, 137

Stores accounting system, ch. IX.

advantages of, 133

cost of, outweighed by savings effected, 125

necessary for proper expense and cost accounting, 133

necessary to control appropriations for supplies and ma-
terials, 133

prevents over-purchasing, 133

sometimes kept by each department, 134

steps in establishing, 135

Stores adjustment, balance of stores purchased transferred monthly to, 132

Stores control,

common in private business, 124

justification of, in small cities, 125

may include tools and other small equipment, 138

necessity for, 124

procedure for securing, 126

Stores dispensed,

distribution of, secured through stores accounting, 133

methods of posting to stores ledger, 129, 130

monthly report of, basis for general ledger entry, 127, 129

receipt for, taken on the requisition, 127

to be charged at higher rather than lower price, 132

Stores ledger,

advantages of loose-leaf ledger for, 133

balances of, must be adjusted to stores on hand, 129, 187

detail accounts in, concern quantities chiefly, 131

detail accounts in, credited from requisitions, 127

detail, not necessary, 126

effect of catalogue price in, 131

INDEX

Stores ledger (*Continued*),

- facts shown by detail accounts in, 127
- how kept, 127
- illustration of, used by Department of Water Supply, Gas & Electricity (Exhibit 21), 126, 127
- information required in each account in, 135, 136
- may include tools, etc., 138
- methods of posting stores dispensed to, 129, 130
- quantities called for by, should be confirmed by actual count, 128
- ruling for separate entry of requisitions in, 136
- to contain separate account with each kind of article, 135
- total of balances of, to agree with balance of stores account, 127
- trial balances of, value of, 187
- when kept in department, 134

Stores on hand,

- adjustment of controlling account for, 129
- balance of, to be shown in balance sheet, 20
- count of, to be made quarterly, 127
- forgetting of, prevented by stores accounting system, 133
- methods for testing, 128
- or requisitions must account for charges to stores, 126
- should agree with quantities called for by stores ledger, 128

Stores price. *See* Catalogue or List Price.

Stores purchased,

- credited from current report of stores received, at catalogue price, 132
- debited with purchases, 131
- monthly balance of, is difference between cost prices and catalogue prices, 132

Stores requisitions. *See* Requisitions.

Stores system. *See* Stores Accounting System.

Sub-classification,

- essential to consideration of results, 80

INDEX

- Sub-classification (*Continued*),
 - example of, in Bellevue and Allied Hospitals, 88
 - for hospitals, how obtained, 90
- Subordinates. *See also* Employees.
 - coöperation of, in reorganization work, 194
 - relation of, to administrator, 158
 - value of property account to, 53
- Subscription, private, for reorganization work, 193
- Subsidiary record. *See* Accounts, Detail.
- Suggestions,
 - constructive, made after survey, 193
 - of department heads, on investigator's report, 194
- Summarization of reports, 160, 162
- Summary,
 - daily or weekly, of service records of individuals, value of, 187
 - of cash transactions and condition of cash, needed, 179
 - value of, 163
- Summary accounts, act as controlling accounts and are supported by subsidiary records, 51
- Summary balance sheet to be supplemented by intermediate statements, 176
- Summary consolidated balance sheet,
 - advantages of, 55
 - example of, for New Rochelle (Exhibit 14), 72, 73
 - operations shown in, 40
 - shows sinking fund balance sheet, 72
 - shows trust fund balance sheet, 72
- Summary fund accounts carried in general ledger, 17. *See* Fund Accounts.
- Superintendence, apportioned, for job costs, 81
- Supervision, continuous, necessary, 201
- Supplies. *See also* Supplies and Materials.
 - accountability for use of, 124
 - example of subdivision of, in Bellevue and Allied Hospitals, 89

INDEX

Supplies (*Continued*),

- hospital, method of posting, 129
- standardization of, related to cost of government, 197
- use of market or catalogue price of, 131

Supplies and materials. *See also* Supplies; Stores.

- accounting for distribution of, 197
- apportionment of, for job costs, 80
- appropriations for, controlled by stores system, 133
- control of custodianship of, 197
- inadequate control of, results of, 124
- invoices for, entered in invoice register with column for stores, 126
- represent value as much as cash in treasury, 125
- to be obtained by requisition, 83
- when bought in quantities, to be charged to stores account, 83

Supporting documents of reports of money collected, counter-foils serve as, 95

Surplus,

- capital account credited when capital outlays are provided by direct appropriation, 47
- capital, credited when improvement is completed, 59
- capital, distinguished from current, 54
- cash, represented by unapplied net cash balance, 39. *See also* Unapplied (Net Cash) Balance.
- defined, 24
- general account, credited from totals of original inventory, 135
- general account, debited if taxes in arrears are paid into sinking fund, 68
- general account, debited when capital outlays are provided by direct appropriation, 46
- of assets in general account, should exclude stores, 137
- of salary and wage appropriation used to benefit favorites, 150
- or deficit, difference between assets and liabilities, 12, 13

INDEX

- Surplus, free,
 - defined, 25
 - how obtained, 17, 40
 - in sinking fund, 66, 69. *See also* Sinking Fund Surplus.
- Surplus or deficit account,
 - example of, for New Rochelle (Exhibit 6), 18, 19
 - explained in operation account, 13
 - relation of, to balance available for further appropriation, 17
 - shown in balance sheet, 12
- Surplus stock of goods prevented by stores system, 133
- Survey,
 - of existing conditions, 192, 193
 - scope of preliminary, 193
- System of accounting,
 - centralized, desirable, 122, 134
 - central, reorganized in New York City with aid of Bureau of Municipal Research, 203
 - installation of, in departments of New York City, 203
 - of Montclair, N. J., 207-221
 - reorganization of, ch. XII.
 - requests for information concerning, 188, 199
 - requisites of proper, 197
 - should make facts currently available, 162
- System of issuing requisitions, orders and contracts, installation of, 195

T

- Tax bills, New York City,
 - description of, 99
 - form of (Exhibit 17), 100, 101
 - in triplicate, prepared, 99
 - made with duplicate tax rolls, 100
 - retained by financial officer, 100
 - unpaid, represented by original bills in hands of collector, 101

INDEX

Taxes,

- controlling account with, 8
- outstanding, entries when money borrowed against, 33, 36
- uncollectible, provision for, 37

Taxes collected,

- audit of, 100
- control of, 98
- entries for, 30, 35

Taxes in arrears,

- largely accounts for debit balance, in New Rochelle, 42
- sometimes transferred to sinking fund, 68
- treatment of, in New Rochelle, 20

Taxes, property,

- control of, 98
- importance of, 93

Taxes receivable,

- credited, if taxes in arrears are paid into sinking fund, 68
- credited when cash is received from taxes, 30, 35
- debited when tax roll is levied, 29, 34
- entry in, for uncollectible taxes, 37
- exceeded by loans in anticipation of taxes, New Rochelle, 20
- less reserve for loss, forms asset in general account balance sheet, 38
- relation of, to available balance, 39

Taxes uncollected,

- opposed by temporary loans, 21
- represented by original bills, 101
- shown by balance of controlling account for taxes, 102

Tax rolls,

- copies of, made with billing attachment, together with tax bills, 100
- duplicates of, retained by financial officer, 100
- entries for, when completed or levied, 29, 34
- original, form basis of charge to controlling account, 102
- original, given to collector of taxes, 100

INDEX

Tax rolls (*Continued*),

- procedure when completed, 99
- triplicate, copied by New York City from Philadelphia, 99
- Telephone and Telegraph Co., American, reporting methods of, 169

Temporary loans,

- credited when loan in anticipation of taxes is made, 33, 36
- opposed by uncollected taxes and revenues in balance sheet, 21
- reserve for retirement of, 34, 36

Tests,

- for accuracy of service reports by employees, 149
- for stores on hand and quantities called for by ledger, 128

Time,

- consumed in payment of claims, New York City, 185, 186
- continuous, to be given by person reorganizing system, 196
- required to pay claims against city, reports of, 184

Time and service record,

- example of (Exhibit 23), 148, 149
- individual, value of, 148

Time and service reports. *See also* Time Reports.

- certification of, 143
- daily or periodical, 146, 147
- daily, to be made by employees, 142
- example of weekly (Exhibit 22), 146, 147
- facts to be shown by, 142, 143
- for gangs, made by foreman. *See* Gang Reports.
- give job apportionment of salaries and wages, 80
- individual, 144
- quantity of work performed to be stated in, 144
- to be on file for payroll, 152

Time book,

- compared with gang reports, 147
- value of, 144

Time clock, value of, 144

INDEX

- Time records,
 form of, 148
 individual, example of (Exhibit 23), 148, 149
 payrolls prepared from, 148
- Time reports, ch. X. *See also* Time and Service Reports.
 frequency of certification of, 146
 must be on file for payrolls, 152
 time book or clock gives collateral information in approval of, 144
 weekly, example of, in Department of Water Supply, Gas and Electricity (Exhibit 22), 146, 147
- Tools. *See also* Supplies and Materials; Stores.
 control of, 138
 represent value as much as cash in treasury, 125
- Tools and equipment consumed,
 debited when worn out tools are presented, 139
 not to include those, the specific functions of which can be identified, 140
- Tools and equipment in use,
 details of, kept on subsidiary card record, 139
 forms controlling account for articles issued, 139
 represent articles in serviceable condition, 139
- Totals, registered,
 alone affect general ledger accounts, 30
 monthly, of goods received and issued, alone are posted, 126
 of cash received from miscellaneous sources, 35
 of collections, obtained through accrual registers, 98, 102
 of column in invoice or voucher register, charged monthly, 84
 of contracts awarded and orders issued, entries for, 31, 35
 of expenditures, for proving accounts, 117
 of invoices showing deliveries, entries for, 33, 36
 of taxes collected, entries for, 35
 of vouchers approved, entries for, 32, 36
- Transfers provide for salary modifications, 149

INDEX

Treasurer,

- cash account of, debited from receipt voucher, 97
- example of daily report to, of money collected (Exhibit 16), 98, 99
- receipt voucher sent daily to, by collecting agent, 97
- transmits receipt voucher to chief financial officer, 97

Trial balance,

- defined, 24
- contrasted with balance sheet, 12
- monthly, desirable, 187
- of stores ledger, value of, 187
- of subsidiary record of expenses, must agree with balance of controlling account, 84, 117
- of subsidiary record of revenues, to be taken monthly, 102
- taken to prove general ledger accounts, 120

Triplicate copies,

- of tax bills, 99
- of tax rolls adopted by New York City from Philadelphia, 99

Trust fund balance sheet,

- explanation of, 72
- for Montclair, N. J. (Exhibit 29), 210, 211
- illustration of (Exhibit 13), 72, 73
- shown in summary consolidated balance sheet, 72
- supporting schedule for Montclair, N. J. (Schedule "I"), 218

Trust funds, ch. V.

- appear as "reserves" in trust fund balance sheet, 73
- procedure when income of, is designated for specific purpose, 73
- provisions for obligations maturing in, 180
- receive unclaimed salaries and wages, 73
- transactions of each cash account in, 179

Typography in reports, importance of, 169

INDEX

U

Unapplied (net cash) balance,

- credited when sinking fund installments are paid, 70, 71
- credited when vouchers are approved, 32, 36, 119
- debited when cash is received, 30, 35
- debited when collections from assessments are received, 60
- debited when loan is made in anticipation of taxes, 34, 36
- established for double entry equation, 30
- not readily kept by individual department, 122
- represents check book balance in fund group, 30
- represents difference between cash on hand and immediate demands for cash, 38
- represents surplus cash, 39
- resource to meet authorizations, 16, 30
- shows only cash available for liabilities not yet matured, 32

Uncollected revenues. *See* Revenues Uncollected.

Uncollected taxes. *See* Taxes Uncollected.

Uncollectible taxes, provision for, 37

Uncommitted balance of the general account, how obtained, 40

Unencumbered balances (of authorizations to incur liabilities),

- details of, how carried, 38
- how ascertained, 116
- opposed by resources, actual and prospective, 38
- payrolls not to exceed, 153
- shown by fund accounts, 27
- to be known, 15
- to be shown in monthly statements, 186

Unexpended balance,

- of appropriations, how ascertained, 116
- of appropriations, shown by fund accounts, 27
- of appropriations, to be shown, 15, 186
- of appropriations, wrongly classed as liabilities, 19
- of monthly salary schedules, to revert to general fund, 149
- of schedule line, shown on payrolls, 151

INDEX

- Unit basis of cost,
 - can be obtained for most municipal activities, 87
 - necessary for comparison, 6
- Unit costs,
 - ascertained from expenses, not disbursements, 7
 - desirable in reports, 165
 - how obtained, 86
 - in driving tunnel heading, U. S. Reclamation Service (Exhibit 25), 173
 - in U. S. Reclamation Service reports, 87, 172
 - locate waste, 85
 - monthly, 7
 - of operating corrals, U. S. Reclamation Service (Exhibit 27), 174, 175
 - of operating mess houses, U. S. Reclamation Service (Exhibit 26), 174, 175
 - of operation of automobile (Exhibit 28), 177
 - physical records necessary for, 85
 - results of comparison of, 86
 - should be developed, 81
- United States Reclamation Service,
 - accounting system of, provides for depreciation, 57
 - comparative average of unit cost in operating mess houses (Exhibit 26), 174, 175
 - comparative average of unit cost of operating corrals (Exhibit 27), 174, 175
 - expenditure and cost accounts of, show unit costs, 87
 - monthly cost report in excavating tunnel (Exhibit 25), 173, 174
 - monthly cost report of automobile (Exhibit 28), 177, 178
 - reports of, 172
- Unit of result. *See also* Job Costs.
 - how arrived at, 80
 - to be compared with expenses, 187
- Unit of service,
 - as index of individual skill, 145

INDEX

Unit of service (*Continued*),

- cost of government best shown by cost of, 85
- requisite in proper system of accounting, 197

Unit of work. *See* Work Units; Unit of Service.

Unit price contracts do not constitute encumbrances, 114

Unit principle, for subsidiary record, explained, 84

Unit rates, in reports, 160, 165

Unrealized balance of estimated receipts from miscellaneous revenues, treatment of, 16

Unused funds, often dissipated, 150

Upkeep, property account gives information about, 53

Use of reports,

- by public officer, ch. XI.

- illustrations of, 182

V

Vacancies, use of, at election time, 150

Valuation of permanent properties at cost or present value, 55

Value,

- money, method of establishing for stores, 131
- of individual services, how judged, 144
- of local advisory committees in reorganization work, 199
- of manual of accounting procedure, 198
- of promptness in reports, 161
- of stores dispensed, how entered, 129, 130
- of stores, reason for reporting, 134
- relative, of supplies, determined by methods of purchasing, 197

Vendor,

- holds best evidence of expense transactions, 93
- receives two copies of order, 109
- should deliver invoices with goods promptly, 110

Verification,

- of certifications by independent inspection, 106
- of claims, necessity for, 112

INDEX

Verification (*Continued*),

- of correctness of posting, etc., necessity for, 116
- of payrolls by comptroller, 151
- of prices and calculations of invoices, 110
- of quantity and quality of goods received, 109
- of service records of employees, 142

Vouchering,

- of claims, reorganization methods in, 195
- of invoices by separate departments, in New York City, 184
- of invoices, delays in, 107, 183

Voucher register,

- column for all transactions to be entered chronologically in, 84
- columns for readjustment in, 33
- entries for, when same as invoice register, 33
- entries from total of, 118
- monthly total of chronological entries in, to be posted to ledger, 84
- vouchers registered in, 115

Vouchers,

- amounts of, may differ from estimated amounts of contracts and orders, 33
- approved, amount of, should be known, 15
- approved for payment, entries for, 33, 36
- certification of, 110
- entries for, in general ledger, 32
- entries when invoices serve as, 33
- for capital expenditures included in capital account balance sheet, 47
- for contracts, 113
- for payrolls, 155
- numbered, registered, and amounts entered in fund accounts, 115
- receipt. *See* Receipt Voucher.
- report of, for which checks have not been drawn, 184

INDEX

Vouchers (*Continued*),

- signed after appropriation only, 14
- to be cross referenced against contracts and orders, 118, 183
- withheld, to be reported, 186

Vouchers paid register or cash book may liquidate invoices registered in accounts payable, 33

Vouchers payable,

- account of, may be avoided, 33
- audited, relation of, to unapplied (net cash) balance, 39
- credited when sinking fund installments are paid, 70, 71
- credited when vouchers are approved, 32, 36
- set up from total of voucher register, 118

W

Wages or salaries,

- accrued, how charged to show job costs, 80
- unclaimed, how treated, 73

Warrants,

- amounts of, paid and outstanding against each appropriation, 28
- payable. *See* Vouchers Payable.

Waste,

- located through unit costs, 85
- prevented through stores control, 124

Water revenues, permitted to cumulate, 93

Water Supply, Gas and Electricity, Department of,

- form of payroll voucher in (Exhibit 24), 154, 155
- form of stores ledger used by (Exhibit 21), 126, 127
- form of time and service record in (Exhibit 23), 148, 149
- form of weekly time report in (Exhibit 22), 146, 147

Weekly payrolls, paid in cash, 156

Weekly pro rata allowance. *See* Pro Rata Allowance.

Weekly time report, example of (Exhibit 22), 146, 147

Work costs, requisite in proper system of accounting, 197

INDEX

- Working capital, defined, 23
- Work performed,
 - record of, necessary, 144
 - units of, 145
- Work reports, give job apportionment for materials, 81
- Work units,
 - examples of, 145, 146
 - necessary in proper system of accounting, 197
 - necessity for, 145
 - used to obtain unit costs, 86

Y

Yearly reports. *See* Reports, Annual

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